Investment in China
A magnet for ethnic Chinese in SE Asia
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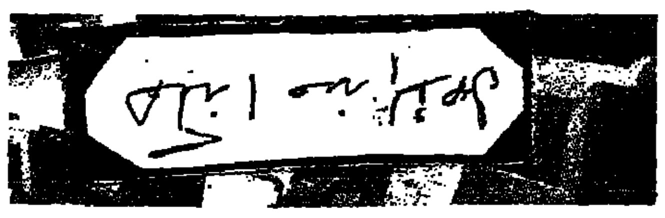

World trade
Anti-dumping actions get out of hand
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FINANCIAL TIMES

Europe's Business Newspaper — TUESDAY DECEMBER 15 1992 — D8523A

Israel takes tough line on issue of kidnapped soldier

Israel demanded evidence that a soldier kidnapped by Islamic fundamentalists was alive before it would consider talks on the release of a jailed Palestinian leader. The authorities stepped up the hunt for the missing man, sealing off the occupied West Bank and Gaza Strip and placing hundreds of thousands of Palestinians under curfew. Page 16; Editorial Comment, Page 14

Lombard League scores success: The populist Lombard League become the largest party in northern Italy at the expense of the long-ruling Christian Democrats and Socialists after elections covering 55 municipalities. Page 16

Fisons, UK pharmaceuticals group, continued its restructuring by selling its consumer healthcare business to Hoffmann-La Roche of Switzerland for £90m ($137m). Page 17; Lex, Page 16

Karadzic proposes end to war: Radovan Karadzic, the Bosnian Serb leader, said he would propose to his parliament a unilateral end to the war, though Sarajevo yesterday continued to suffer mortar fire and shelling. Page 2

German telecoms minister quits:

Christian Schwarz-Schilling (left), German posts and telecommunications minister, resigned from the government, criticising its failure to act forcefully in the ethnic conflict in former Yugoslavia. He also accused government colleagues of failing to support reforms to privatise the German postal and telecoms services. Page2

Japan's trade surplus soars: Japan's trade surplus last month rose by 18.5 per cent to $7.6bn, largely owing to a sharp fall in imports, but trade officials expressed willingness to talk to the Clinton administration on a new approach to trade frictions. Page 3

Marines set sights on Baidoa: US troops prepared to take control of Baidoa, the "City of Death" at the centre of Somalia's hunger zone where up to 100 people are dying each day. Page 16; Soldiers bring security, Page 3

Dan-Air inquiry launched: The European Commission launched an inquiry into the competitive implications on air services between Belgium and the UK of British Airways' acquisition of Dan-Air, the financially ailing UK-based regional carrier. Page 16 and Lex

Time Warner, US media and entertainment group, aims to to reduce its $9bn borrowings by a third within three years by selling assets or issuing asset-backed bonds. Page 20

Uruguay rejects privatisation: Uruguayans blocked government privatisation projects by an overwhelming majority in a referendum, preventing the sell-off of 51 per cent of the Antel Telephone Company. Page 4

Maho, stricken German machine-tool group, confirmed it was in collaboration talks with its rival Deckel. Page 17

Toyota Motor, Japan's leading carmaker, warned of a further sharp decline in profits as a result of sluggish sales in the Japanese market. Page 19

Texaco, US energy group, said Alfred DeCrane, chairman for the past five years, would take over as chief executive next April, after the retirement of James Kinnear, who has been president and chief executive since 1987. Page 20

Océan joins white goods group: A project to create a European alliance of domestic appliance makers was strengthened when Italy's Océan joined a group started by France's Thomson Electroménager and Spain's Fagor. Page 17

India purges activists: Police arrested more than 1,500 Hindu activists and closed the offices of three outlawed groups accused of inciting last week's Hindu-Moslem riots. Page 3

DSM, Dutch chemicals group, reconfirmed the dire state of the European petrochemicals industry by announcing a temporary cut in production between Christmas and January 1 next year. Page 19

Eastern Electricity, one of Britain's leading power distributors, gave coal a boost by becoming the first regional distributor to sign a new deal for coal-based power. Page 8

STOCK MARKET INDICES		
FT-SE 100:	2,721.8	(+5.6)
Yield	4.48	
FT-SE Eurotrack 100	1,041.18	(-2.85)
FT-A All-Share	1,256.88	(+0.2%)
Nikkei	17,288.87	(-151.05)
New York lunchtime:		
Dow Jones Ind Ave	3,305.38	(+1.9)
S&P Composite	434.18	(+0.46)
US LUNCHTIME RATES		
Federal Funds:	2 13/16%	
3-mo Treas Bills: Yld	3.311%	
Long Bond	102 1/4	
Yield	7.439%	
LONDON MONEY		
3-mo Interbank	7 1/4%	(7 3/8%)
Liffe long gilt future:	Dec 100 11/32	(Dec 100 5/8)
NORTH SEA OIL (Argus)		
Brent 15-day (Feb)	$18.025	(18.15)
Gold		
New York Comex (Dec)	$334.6	(335.9)
London	$335.85	(335.0)

STERLING		
New York lunchtime:		
$	1.587	
London:		
$	1.585	(1.5585)
DM	2.4525	(2.4575)
FFr	8.3875	(8.3975)
SFr	2.2925	(2.19)
Y	193.5	(193.0)
£ Index	80.3	(80.2)
DOLLAR		
New York lunchtime:		
DM	1.558	
FFr	5.3965	
SFr	1.4335	
Y	123.725	
London:		
DM	1.5465	(1.5765)
FFr	5.3475	(5.3875)
SFr	1.4465	(1.405)
Y	123.65	(123.8)
$ Index	65.9	(65.1)
Tokyo close Y 123.68		

Austria	Sch30	Greece	Dr250	Lux	LFr60	Qatar	QR12.00
Bahrain	Din1.250	Hungary	Ft192	Malta	Lm0.50	S.Arabia	SR11
Belgium	BFr60	Iceland	IKr180	Morocco	MDh13	Singapore	S$4.10
Bulgaria	Lv25	India	Rs20	Neth	Fl 3.50	Spain	Pta200
Cyprus	C£1.00	Indonesia	Rp3800	Nigeria	Naira30	Sweden	SKr14
Czech	Kcs35	Israel	Shk6.50	Norway	NKr15.00	Switz	SFr3.00
Denmark	DKr14	Italy	L2500	Oman	OR1.50	Syria	S£P50.00
Egypt	E£4.50	Jordan	JD1.50	Pakistan	Rs35	Thailand	Bht50
Finland	FM12	Korea	Won2500	Philippines	Peso45	Tunisia	Din1.250
France	FFr8.50	Kuwait	Fils600	Poland	Zl 22,000	Turkey	L6000
Germany	DM3.30	Lebanon	US$1.25	Portugal	Esc190	UAE	Dh10.00

Appointment of Viktor Chernomyrdin throws reforms into doubt

Yeltsin names new Russian premier as Gaidar is rejected

By John Lloyd in Moscow

THE FUTURE of Russian reform was thrown into doubt last night after Mr Yegor Gaidar, one of President Boris Yeltsin's closest allies and the architect of radical economic policies, was thrown out of office.

"I don't believe all we did was in vain," Mr Gaidar said after hearing Mr Yeltsin had failed in his bid to have him elected as his prime minister.

Mr Gaidar, who had been acting prime minister, was replaced by Mr Viktor Chernomyrdin, a 54-year old energy minister.

"Of course I will resign and not return", said Mr Gaidar, 36, immediately after hearing that Mr Yeltsin, the Russian president and formerly his proclaimed devoted supporter, had chosen to put Mr Chernomyrdin in his place after the latter had come second in a poll among Russian deputies.

Mr Gaidar's aides confirmed last night that his ousting was a surprise, running against the string of promises made by Mr Yeltsin to do everythig he could to keep him.

Mr Chernomyrdin, in a speech to the Congress, promised to continue reforms "but not through the impoverishment of the people" – a remark which won him applause.

In a later interview with the news agency Itar Tass, he said that he would proceed "to reforms, to a market economy but not to a bazaar".

PAGE 2
- Reform hopes flicker on as Russia names new premier
- New man at top sweeps into office with an old broom

PAGE 14
- Editorial comment

The new prime minister, with a final confirming vote of 721, succeeded in uniting all but the radical democratic part of the Congress behind his candidature. Mr Yeltsin's radical supporters were furious and bewildered by his action.

Mr Mikhail Schneider, a senior official of the Democratic Russia movement, said that "every step we made in the past few days was based on the assumption that Yeltsin would nominate Gaidar. Now that he has acted otherwise we don't know what to do".

Over the weekend Mr Gaidar had been prepared to step down "to give the president freedom to act in the best interest of the country", one of his advisers said. However, he was also prepared to continue to work as head of an economic reform team, if the alterative choice as prime minister had been to his liking, for example Mr Vladimir Shumeiko.

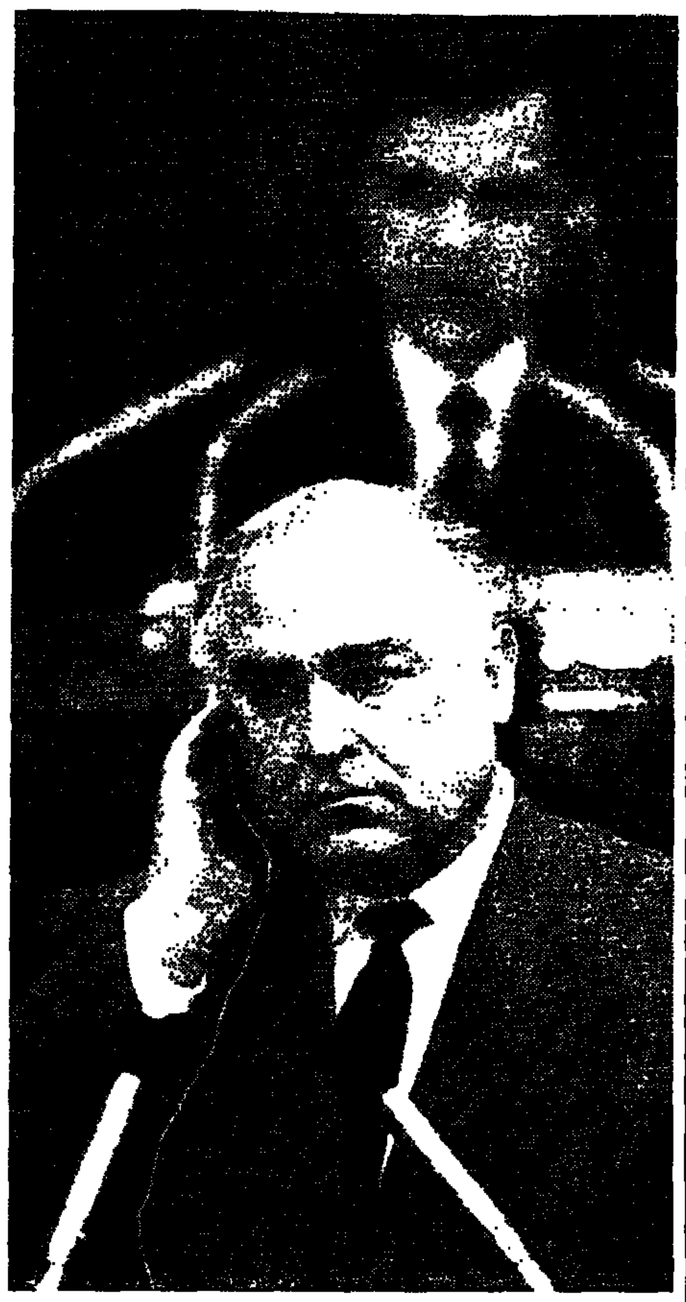
Mr Gaidar has also thought of taking another post, including that of head of the president's council of advisers, vacant after the sacking of Mr Gennady Burbulis at the weekend. However, according to his advisers last night, he has decided against it.

Mr Chernomyrdin emerged the favourite in a voting process agreed betwen Mr Yeltsin and Mr Ruslan Khasbulatov the parliamentary speaker, on Saturday.

Though Mr Chernomyrdin topped the vote of the deputies, Mr Gaidar did well enough to stay in the first three - and could thus have been nominated by Mr Yeltsin, and made acting prime minister again for three months if not confirmed by the Congess. It was this course of action which all of Mr Yeltsin's supporters, and even many of his opponents, had been expecting.

An aide to Mr Gaidar, trying to explain Mr Yeltsin's behaviour, said: "I think he [Mr Yeltsin] did not blieve himself strong enough".

All current ministers have been asked to stay in their jobs, and Mr Gaidar said he would encourage those who could continue with reform to stay on. However, Mr Vyacheslav Kostikov, Mr Yeltsin's press sectretary, said it would be "psychologically difficult" for them to continue – a view confirmed by Mr Gaidar's aide who said it was likely many, if not all, of Mr Gaidar's economic reform team would resign.



New prime minister: Viktor Chernomyrdin listens to delegates

US eases curbs on trade with Vietnam

By George Graham in Washington

PRESIDENT George Bush yesterday moved the US a step further towards normal relations with Vietnam by authorising US companies to open offices, conduct feasibility studies and sign contracts in the country.

Mr Bush refused, however, to lift outright the US embargo on trade with Vietnam – contracts that are signed may only be executed after the embargo is lifted.

The US has over the last two years progressed slowly in accord with a "road-map" towards normalisation of its relationship with Vietnam. It has made its concessions conditional on co-operation on its investigations into the fate of US servicemen listed as missing in action (MIA) during the Vietnam War as well as on efforts to restore peace to Cambodia, where Vietnam has backed the Phnom Penh government led by Mr Hun Sen.

Mr Marlin Fitzwater, the White House spokesman, said yesterday that the latest step had been taken because of the Vietnamese government's co-operation on the MIA investigations.

Vietnam has recently made new evidence, including a large collection of photographs, available to US investigators. Senator John Kerry, the Vietnam War veteran who chairs a Senate committee looking into the fate of the MIAs, recently told Mr Bush that the Vietnamese had been "forthcoming".

The third phase, involving limited diplomatic links and a complete end to the trade embargo, is to take effect six months after a Cambodian peace plan has been in effect with full Vietnamese co-operation.

The final phase, with full diplomatic relations, most favoured nation trading status and an end to restrictions on lending to Vietnam by the World Bank and other multilateral development banks, is not expected to be implemented until Vietnam has an elected government.

US companies fear being left out of the race to take part in Vietnam's economic development. Japan last month resumed development aid to the country, and businesses from other Asian countries, Australia and France, are already investing there.

Scare tactic by Russia stuns conference

By Robert Mauthner in Stockholm

RUSSIA yesterday threw international diplomacy into confusion by announcing a radical return to a cold war foreign policy and then retracting the statement, explaining that it was no more than a scare tactic.

In one of the most bizarre diplomatic incidents of recent years, Mr Andrei Kozyrev, the Russian foreign minister, left ministers from 52 western and eastern European countries dumbfounded when he said Russia was reneging on its post-communist policies of co-operation with the West. For good measure, he also demanded an end to the arms embargo against Serbia.

His short, but explicit statement exploded like a bombshell on the opening day of the two-day ministerial meeting of the Conference on Security and Co-operation in Europe, an organisation dedicated to conflict prevention and management and the respect of human rights.

As stunned ministers crowded round Mr Kozyrev, long regarded as a moderate in the Russian leadership, to demand clarification, he coolly said they should wait for a second statement which he would make shortly.

Some 45 minutes later he told an amazed audience he did not mean a word of what he had said. "Neither President Yeltsin, who remains the leader and guarantor of Russian domestic and foreign policy, nor I myself, as minister for foreign affairs, would ever agree with what I read out in my previous statement."

With no apparent sign of remorse, the normally restrained and diplomatic Mr Kozyrev thanked those present for "the opportunity to use this rhetorical device". It was inspired by the most serious concern that everyone should be aware of the genuine threats faced by the Russian leadership "on our course towards a post-Communist Europe".

Mr Kozyrev has remained outspokenly anti-conservative – warning that the conduct of a rational foreign policy was being made impossible by a growing nationalist tide in Russia. His device to warn people of a conservative victory does not contradict his beliefs.

"A wake-up call" is how Mrs Galina Sidorova, the Russian spokeswoman, described Mr Kozyrev's first statement.

Only an hour or so previously, however, she and other Russian delegates had been rendered livid and speechless by his intervention – of which none of them had received advance notice.

Mr Klaus Kinkel, the German foreign minister, who left Stockholm last night to join chancellor Helmut Kohl for an official visit

Continued on Page 16

Little Rock conference sees much talk, fewer policies

By Michael Prowse in Little Rock

AS President-elect Bill Clinton convened his two-day "economic conference" yesterday, it rapidly became clear it was an exercise in communication – live from Little Rock – and not an occasion for policy-making.

Above all, it was a chance for Mr Clinton to demonstrate his mastery of detail and his determination to be a president who remains in touch with the people. Continuing the pattern of this year's election campaign, this was achieved by including a nationwide phone-in on the television broadcast.

Mr Clinton, vice president-elect Al Gore and their economic team listened to Main Street America's ideas about the country's economic problems as well as the opinions of academics.

From the beginning, Mr Clinton seemed in his element, frequently challenging the academic presenters and offering lengthy clarifications for his television audience.

When Professor Alan Blinder of Princeton University raised the need for greater investment in education and training, Mr Clinton asked why when only 15 per cent of employers reported difficulty in finding skilled workers. It was a typical intervention from Mr Clinton, who appeared frustrated at times that so many of the speakers were echoing – or exaggerating – his own arguments rather than offering new ideas.

This, of course, was his own mistake in insisting that only Democrats – or people known to sympathise with his views – were invited. With this caveat, participants were diverse, ranging from Ms Kathleen Piper, owner of the Pied Piper Flower Shop in Yankton, South Dakota, to industrialists, labour unions and academia.

Hundreds of journalists, representing organisations ranging from the local Arkansas Democrat Gazette to CNN to the Chinese Daily News, milled around Little Rock, in search of two scarce commodities – decent hotel rooms and hard news. Many seemed uncertain of the purpose of the conference and bemused by the bureaucracy imposed by the Clinton media people, who generally took proceedings at least as seriously as a global economic summit.

Mr Clinton yesterday repeated his view that encouraging signs of economic recovery must not be allowed to divert attention from longer-term structural problems. Repeating calls for greater investment in education, training and infrastructure, he seemed, however, to put greater emphasis than before on reducing the budget deficit.

"We must stop the cycle of borrow-and-spend economics," he said. "Our national debt is an economic ball and chain dragging us down, keeping long-term interest rates high in spite of the actions of the Federal Reserve in bringing down short-term rates." This means "we're going to have to make some tough decisions and some hard choices".

But judging by yesterday's glorified talking shop, the Little Rock conference seems unlikely to be the place these hard choices will be made.

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Reform hopes flicker on as Russia names new PM

By John Lloyd in Moscow

"THE difference between a reformer not able to reform and a non-reformer who can do some reforms may not be very great." This evaluation from a foreign expert in Moscow of the change in prime minister from the reforming Mr Yegor Gaidar to the non-reforming Mr Victor Chernomyrdin was the most positive given yesterday.

Observers and advisers in Moscow gave a variety of reasons yesterday why Mr Gaidar's resignation and Mr Chernomyrdin's election do not constitute a disaster for Russia.

First, Mr Chernomyrdin knows the system, and could force closures and restructuring of inefficient enterprises where Mr Gaidar and his inexperienced team could not. Second, Mr Chernomyrdin's promise to deepen reform while seeking to slow the fall in production and increase social security is merely repeating promises made by Mr Gaidar.

Third, unless he re-establishes the command-administrative system, he faces the same financial and other constraints Mr Gaidar faced; if he ignores these, the financial system will collapse. Many in Moscow believe reform can begin only after such a collapse.

Fourth, Mr Gaidar could not achieve financial stability, and under his premiership, the rouble was heading for hyperinflation. It is better for it to get there under someone else. Fifth, Mr Chernomyrdin is not, at 54, old for a prime minister, but has been unwell recently, and needs constant treatment. He has little or no popular base, and is explicitly not President Yeltsin's choice. He does not seem to be a long-term candidate.

A possible sixth reason is that it is simply not clear why Mr Gaidar went. His advisers were saying this weekend they were prepared for him to be replaced as prime minister, but that he would stay as head of economic reform. Mr Yeltsin was clear that he would support him.

Mr Yeltsin could have nominated Mr Gaidar who came in the top three in a ballot by the Congress. If this nomination was not confirmed by the deputies, Mr Yeltsin could simply have appointed him acting prime minister for a further three months. By this time the referendum on a new constitution would be imminent and, if approved, a new parliament would have been elected.

It is possible Mr Gaidar has gone by arrangement, to keep his powder dry for a later attempt, or to reappear as a presidential adviser, perhaps to fill the spot vacated by Mr Gennady Burbulis, the former secretary of state and chairman of the council of advisers, sacked at the weekend as one of Mr Yeltsin's compromises with the parliament.

The political fallout may be immediately greater than the economic one. The democrats, supporters of Mr Yeltsin, were terribly let down: Father Gleb Yankunin, a leading radical deputy, said yesterday: "After we did everything to provide Yeltsin with a winning position, he let us down." Mr Leonid Volkov, another presidential supporter, said it was "the end of a reforming cabinet – at the choice of the President".

He has now, it seems, put himself in the hands of the "centre", an amorphous group inside Congress and out, which includes real reformers and real opponents of reform.

Those who want change are disoriented and puzzled about Mr Yeltsin's intentions. The departure of all of the key ministers, including figures like Mr Anatoly Chubais and Mr Alexander Shokhin, deputy prime ministers in charge of privatisation and foreign economic relations respectively, could deal a blow to reform and to the fragile trust of foreign businessmen and governments.

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Kohl to bolster Yeltsin despite debt issues

By Quentin Peel in Bonn

CHANCELLOR Helmut Kohl of Germany was flying to Moscow last night, hoping to demonstrate his strong support for Russia's President Boris Yeltsin at a summit overshadowed by festering disagreement over outstanding Russian debts.

The event is likely to prove diplomatically sensitive, with Mr Yeltsin in a battle to assert his authority at home, while Mr Kohl is unable to make the sort of financial pledges he used to give so willingly to Mr Mikhail Gorbachev, the former Soviet leader.

Mr Theo Waigel, the German finance minister, has been forced to join in the top-level talks, because of the failure by the two sides to resolve two key financial questions.

The first concerns outstanding debts owed by Russia to the former East Germany, amounting to some DM17.6bn (£7.18bn).

These debts were accumulated in transferable roubles, the internal currency of the Comecon state-trading organisation. Germany is insisting they must be honoured.

Germany's opposition Social Democrats yesterday threatened to derail government plans to tighten up the country's liberal asylum laws, Reuter reports from Bonn.

Chancellor Helmut Kohl's Christian Democratic-led coalition and the Social Democrats agreed only last week to cut the huge influx of refugees.

German leaders also fear chaos in Russia could send waves of refugees west. Foreign minister Klaus Kinkel has insisted Moscow fulfil its pledge to establish a Volga homeland for ethnic Germans banished further east during the second world war.

"These are debts owing for goods delivered by East German enterprises to Russian enterprises, and they have simply not paid up," a German finance ministry official said yesterday.

"We recognise the enormous difficulties Russia is facing, and we are willing to give whatever help we can in supporting the restructuring process, but we are not prepared simply to write off the debt."

The second issue concerns compensation payments for the facilities left behind by Soviet troops departing from East Germany.

Mr Yeltsin has claimed anything up to DM8bn for these buildings, military air strips and other structures.

But the German government insists they have nothing like that market value.

"We have agreed to pay the market value, but the Russians have some difficulty understanding what that is," an official said.

The German side says that far from having any intrinsic value, most of the facilities will have to be demolished, and widespread environmental pollution cleared up, at a cost running into billions of D-Marks.

In spite of months of negotiations, the two sides still appear far apart on the amount of compensation payable.

The German side is not planning to talk in detail about Russia's request for a comprehensive debt rescheduling, currently under negotiation with the Paris Club of creditor governments.

"That is a matter for the Paris Club, and the only contribution we can make is to improve the atmosphere," the German official said.

A pat on the back for new Russian PM Chernomyrdin yesterday

New man at top sweeps into office with an old broom

By Leyla Boulton in Moscow

MR Viktor Chernomyrdin, unexpectedly appointed as Russia's prime minister yesterday, is widely recognised as a superb manager of the old Soviet school.

Any enthusiasm reform supporters might have shown for his appointment was soured by the refusal of Mr Yegor Gaidar, whom he replaces, to stay on as economic strategist and the likely resignation of other young reformist ministers.

"Surrounded by a few decent chaps, he is capable of behaving wisely," said one western diplomat, who hoped that at least Mr Anatoly Chubais, the privatisation minister, would not step down.

"But on his own Chernomyrdin is a terrible menace to reforms," he added.

"He is very impressive but he is definitely of the Old Guard," said a businessman who has dealt with him in the past.

His success as manager of the Soviet gas monopoly, Gasprom, prompted his appointment in June as deputy prime minister responsible for energy policy when president Boris Yeltsin sacrificed his young minister for oil and gas, Mr Vladimir Lopukhin. But expectations that this avuncular-looking 54-year-old would quickly restore order to the country's most important industry proved unfounded.

Oil output has been continually falling.

This means Russia, long the world's largest energy producer, has dropped behind Saudi Arabia in the league table, producing 7.9m barrels of oil per day. Saudi oil output is currently about 8.4m bpd.

"He's made some progress in restoring centralised control to the industry, but he's neither stopped the theft of oil nor spurred foreign investment," said the businessman. "He's at ease with yielding power but it is impossible to predict how he will react to a multi-faceted brief," he added.

Mr Chernomyrdin, who presents a somewhat unworldly figure, is said to be 'unencumbered by ideology from his past as a senior communist party official.'

But given the difficulties of trying to turn back the clock, reforms in Russia could well suffer from his lack of vision.

Germany blocks duty-free accord

GERMANY last night blocked an agreement to double the amount of duty-free goods purchased inside the European Community to Ecu90 (£72), excluding alcohol and cigarettes, writes Lionel Barber in Brussels.

A deal would have raised EC citizens' travellers allowances on goods purchased outside the Community to Ecu175 from January 1, 1993.

Mr Norman Lamont, UK chancellor of the exchequer, who chaired the meeting yesterday, expressed disappointment at the failure to reach a deal. He described the limits on allowances, which go back to the 1950s, as "wholly unacceptable" in the light of the imminent official completion of the European single market by the end of the year.

Germany's opposition stemmed from its failure to push through a claim to set a road tax for EC vehicles using German highways. The road toll dispute is to be reviewed by EC transport ministers next Monday.

Under a separate deal, finance ministers agreed to simplify the valued added tax treatment of second-hand cars in the EC, to come into effect by April 1993.

The changes were necessary to meet the requirements for VAT harmonisation in the single market.

EC to pressure UK on HDTV

Britain will face pressure from its EC partners today to approve funding for a Brussels-backed strategy to market high definition television to the European public, writes Lionel Barber in Brussels.

EC telecommunications ministers will reconsider a European Commission plan to pump Ecu850m ($1bn) into the promotion of HDTV over five years.

France and the Netherlands strongly support the spending, mainly because Thomson and Philips, their national electronics giants, have invested millions in developing the D2-Mac and HD-Mac Technology.

Britain's opposition to the HDTV strategy caused an uproar at an EC telecoms council last month. Last night, UK officials continued to express reservations: "We don't think the idea is attractive, and we don't think it is coherent."

Under revised plans, the Commission wants to channel money to consortia for satellite broadcasting, as well as conversion and production of programmes using HDTV technology.

Money may also go to other widescreen TV services such as Pal Plus.

Schwarz-Schilling quits as German telecoms minister

By Quentin Peel in Bonn

MR Christian Schwarz-Schilling, the German minister of posts and telecommunications, resigned from the government yesterday, sharply criticising its failure to act more forcefully in the ethnic conflict in the former Yugoslavia.

He also accused his government colleagues of failing to give him wholehearted support in negotiations on reforms to privatise the German postal and telecommunications services.

Privatisation has been held up by failure to reach agreement with the trade unions and opposition Social Democrats on changes needed to the German constitution to enable the state sale to go ahead.

He attacked the government – and by implication Chancellor Helmut Kohl – *for getting* bogged down in negotiations within the ruling coalition, and proving itself incapable of action on key political issues.

The resignation will embarrass Chancellor Kohl in his struggle to show his government is coming to grips with the problems of looming economic recession and the soaring costs of German unification.

However, Mr Schwarz-Schilling, a member of the cabinet since Mr Kohl came to power in 1982, was expected to be ousted in a reshuffle at Christmas or in the New Year.

Some observers believed he was simply choosing to resign with dignity, rather than be forced out.

Mr Schwarz-Schilling's negotiating position in the privatisation talks with the unions and SPD had weakened since he was expected to go in the reshuffle.

A new minister might be able to push the process ahead more swiftly.

Mr Schwarz-Schilling's resignation coincided with an appeal from the German Chamber of Trade and Industry (DIHT) to break the deadlock on postal reform.

The resignation follows reports that Mr Schwarz-Schilling lost his temper at last week's cabinet meeting because of the government's apparent inability to take more effective action in Bosnia-Hercegovina to protect the local population from Serbian attacks.

He admitted yesterday saying that he was "ashamed to be a member of a cabinet which simply does nothing". Mr Kohl retorted that no one was compelled to remain a member of the government.

Mr Schwarz-Schilling said at a press conference in Bonn it was a nonsense that German naval ships on patrol in the Adriatic were forbidden from taking part in actions to stop and search suspected arms smugglers.

At the same time, he sharply criticised the UN arms embargo as it affected Bosnia-Hercegovina, saying it simply exacerbated the unequal conflict with the Serbs.

Major to warn Bush over force

By Philip Stephens, Political Editor

MR John Major, the British prime minister, will this weekend warn outgoing US President George Bush that the use of force to enforce the UN "no-fly zone" over Bosnia could put at risk British ground troops and aid workers in the former Yugoslav province.

Senior Downing Street officials yesterday acknowledged the growing international pressure for a new UN resolution authorising military measures against Serbian aircraft violating the ban on flights. But they voiced concern that precipitate action could lead to heavy casualties for UK forces in Bosnia and an end to the humanitarian aid effort.

Washington has expressed growing impatience with the Serbs, with president-elect Bill Clinton backing the tougher stance of the Bush administration. The deteriorating situation in Bosnia will be the focus of two days of talks between Mr Major and Mr Bush at Camp David.

Mr Major, current president of the European Community council, will arrive in Washington on Friday for the EC/US summit.

The officials said a new UN resolution authorising tougher action against Serbia to enforce the zone looked increasingly likely after public statements in favour of such action by France and the US.

But while Britain was unlikely to block such a resolution, Mr Major would tell Mr Bush that early action to shoot down Serbian aircraft would almost certaintly provoke retaliation against the 2,000 British ground troops escorting aid convoys.

They pointed out that the US faces no such risks as it has not deployed troops. Attacks on the escort troops might also effectively halt the transport of humanitarian aid.

Bosnian Serb leader plans move to end ethnic strife

By Laura Silber in Belgrade

IN an attempt to stem growing international demands for military intervention against Serb forces in Bosnia, Mr Radovan Karadzic, the Bosnian Serb leader, yesterday said he will propose a unilateral end to the war to his parliament.

"We will propose to the assembly of the Serbian Republic in a session on December 17 to adopt a declaration on ending of the war," he said in reference to his self-proclaimed state covering some 70 per cent of Bosnian territory.

"But I don't accept that we are proposing to end the war from the position of winners, because we accept political solutions around the table," he declared in Belgrade, the Serbian and federal capital. "In this way, we can end the war before the New Year."

Despite Mr Karadzic's professed support to halt to the bloodshed, Sarajevo yesterday came under mortar fire and shelling. UN officials in the Bosnian capital said a ceasefire agreement, the nineteenth since the war began in April, would take a few days to come into effect. Mr Mik Magnusson, spokesman of the UN peace-keeping forces, said talks were under way for the creation of three safe corridors.

"They are part of a step-by-step approach to demilitarise the city, then lift the siege," he said. At least 17,000 people have been killed and 100,000 have gone missing in the nine-month war.

Bosnian Serb leaders yesterday allowed the evacuation under supervision by the International Red Cross of 1,008 Moslem and Croat prisoners from the Manjaca detention camp, northern Bosnia. Serb leaders say they will close the camp on Friday after 2,000 more detainees have been freed.

Ahead of Sunday's parliamentary and presidential elections in Yugoslavia, Mr Milan Panic vowed to rout Serbian President Slobodan Milosevic, widely seen as responsible for the war in Bosnia-Hercegovina.

Since he became federal prime minister in July, Mr Panic has tried to end the war and lift UN sanctions on Serbia and Montenegro.

Mr Panic, who is Mr Milosevic's strongest challenger, defended himself against the campaign waged against him by state TV, which is in the grip of the Serbian President. The television has accused Mr Panic of betraying Serbia. He lashed out at Mr Milosevic saying: "My efforts to build peace have been bombed. Serbian national interests are with Europe, not isolation."

The Belgrade-born California millionaire is ahead of Mr Milosevic, according to recent opinion polls. But their reliability is questionable because they are conducted by phone and some 40 per cent of Serbs do not have phones.

● Mr Paddy Ashdown, leader of Britian's Liberal Democratic Party, came under mortar fire yesterday while travelling with British troops outside Turbe, a Moslem-held town in central Bosnia.

Inflation in Spain declines

Spain's inflation rate has fallen to 5.1 per cent after the government reported much better-than-expected price rises of just 0.1 per cent in November, writes Peter Bruce in Madrid.

If inflation continues downward the government could begin to cut interest rates as early as next spring. With unemployment rising and growth still falling, the interest rate cut will be important to the timing of the general election Prime Minister Felipe Gonzalez must hold by next October.

The November price figures show that the devaluation of the peseta in September has had little inflationary impact and the second devaluation, in November, is unlikely to affect December inflation much, economists say.

French inflation at six-year low

By William Dawkins in Paris

FRANCE'S annual inflation rate eased from 2.4 per cent in October to 2.1 per cent last month, the lowest for six years, according to provisional figures by Insee, the state statistics body.

Month on month, prices were stable in November, after rising 0.3 per cent in the previous month.

This brings price rises since the start of the year to 2 per cent and puts France on track to undershoot Insee's most recent forecast of 2.5 per cent inflation for 1992 overall.

Food prices fell last month and there was a small rise in the prices of oil products, pushed up by the dollar's recovery against the franc, according to the ministry of finance.

Prices of manufactured products were unchanged in November.

The reduction leaves France's annual inflation 1.6 percentage points below that in western Germany, its main trading partner, continuing the improvement in price competitiveness since French inflation dropped below Germany's in June 1991.

Annualised French inflation last month was also 1.3 per cent below the average level for its nine main trading partners, a small improvement from the 1.2 per cent gap in October.

Mitterrand blunders on EC job

By David Buchan in Paris

PRESIDENT François Mitterrand yesterday renominated Mrs Christiane Scrivener as France's junior EC commissioner, in a quick move to recover from a blunder at the Edinburgh summit when he announced she would be succeeded by *Mr Edmond Alphandéry*, who then promptly refused the job.

Mr Alphandéry, a centrist politician, said he preferred to seek re-election to the French parliament in March, but is *also tipped* as a possible finance minister in the centre-right government which is expected to emerge from next spring's election.

What Mr Alphandéry described as an "unfortunate misunderstanding" resulted from the fact that he was ready to go to Brussels, provided he could combine Mrs Scrivener's EC tax portfolio with the EC monetary job at present in the Danish hands of Mr Henning Christophersen.

He was still vainly trying to negotiate this – through Mr Jacques Delors, France's other commissioner, who heads the EC executive – when Mr Mitterrand, believing the deal was done, prematurely announced his appointment.

The president seems to have been attempting domestic political manoeuvring with the job of Mrs Scrivener, a Giscardian liberal, by offering it to various Christian Democrats, including Mr Alphandéry. The ploy did not work, as opposition politicians now have national office in their sights.

There is the extra disincentive that, if the Maastricht treaty enters into force, the next EC Commission's tenure will only be two years.

Mrs Scrivener was yesterday said to have taken the president's reluctant renewal of her mandate philosophically, commenting that it was the end result which mattered. She has showed the same pragmatism in getting, against considerable odds, EC governments to remove fiscal checks at EC internal borders from January.

Macedonia fear

GREEK politicians yesterday said Athens would lose its battle to prevent Macedonia winning international recognition following the European Community leaders' decision in Edinburgh to send humanitarian aid to the ex-Yugoslav republic, writes Kerin Hope in Athens. Greece says Macedonia must change its name before being recognised, accusing it of expansionist aims on the Greek province of Macedonia.

US wants war crime trials

By Robert Mauthner in Stockholm

THE US yesterday proposed that the perpetrators of crimes against humanity in the former Yugoslavia should be brought to justice in person, in the same way the Nazi leaders were at the Nuremberg trials after the second world war.

The proposal was made by Mr Lawrence Eagleburger, secretary of state in the outgoing US administration.

He spoke at the opening of a meeting of the 52-nation Conference on Security and Co-operation in Europe (CSCE), at which the conflict in the former Yugoslavia is the most important item on the agenda.

Mr Eagleburger tabled a series of measures to transform the CSCE, widely criticised for failing to back up its declarations with practical measures to solve the growing number of conflicts in eastern Europe and the former Soviet Union, into a more positive problem-solving organisation.

The CSCE had to develop a strategy which was proactive, not reactive, he said.

The aim should be to detect early signs of crises and instability and undertake preventive diplomacy.

"We must seek early enough to prevent the outbreak of conflict, or else find ourselves, as in Yugoslavia, constantly reacting to new horrors."

Eagleburger: cited Nuremberg

CSCE missions to assist with the enforcement of UN sanctions, of the kind already sent to Kosovo, Macedonia and Georgia, must be expanded to prevent war from spilling over into neighbouring countries and regions, as it threatened to do from Bosnia. The US would contribute, "on an urgent basis," *to the expansion of the* Kosovo mission, Mr Eagleburger promised.

In addition, the administration and financing of the CSCE had to be strengthened to ensure a more effective response to the challenges of conflict prevention and crisis management.

The ministers are due to agree in principle today to the appointment of a permanent secretary-general, a post for which the Germans have put forward their permanent representative to the CSCE, Mr Wilhelm Hoynck.

They will also formally approve the nomination of Mr Max van der Stoel, a former Dutch foreign minister, as the CSCE's new High Commissioner on National Minorities, another post which has been created to strengthen the organisation's capacity for preventive diplomacy and wider respect of human rights.

In line with the general desire to prevent conflicts before they become unmanageable, the ministers have decided to send a small CSCE mission to Estonia for six months from next February, to try to ease the tension between the country's Estonian and Russian population and help create a civil society on the western model.

Ethnic Russians make up *about 40 per cent of Estonia's* total population of 1.6m, but they do not have the automatic right to citizenship of the country.

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Study urges EC-Japan partnership

By Charles Leadbeater in Tokyo

JAPAN and the European Community risk causing irreparable harm to their relations unless they quickly take an historic opportunity to fashion a political and economic partnership, according to a wide-ranging report from the foreign ministry in Tokyo on Japan's relations with Europe.

The report by a specially appointed group of advisers is Japan's most comprehensive attempt yet to lay out a foreign policy framework for its relations with the EC.

The study, which makes 90 recommendations on measures to improve relations, is partly designed to respond to fears among some EC officials of growing trade friction in spite of last year's joint Hague declaration on political co-operation.

The group which compiled the report for the ministry was chaired by Mr Teruhiko Mano, adviser to the president of the Bank of Tokyo, and included academics and business executives.

Senior foreign ministry officials said the document would help to provide a framework for Japan's medium-term approach to the EC.

It says the EC and Japan need to develop a closer relationship in part to balance the much stronger relationships each has with the US.

It describes the EC's integration programme was an historical experiment which should create an economically dynamic and politically stable power at the heart of Europe. It displays considerable confidence in the EC's ability to overcome delays in the ratification of the Maastricht Treaty, which it says should prove to be no more than temporary setbacks.

However, it also warns that relations with the EC have traditionally been marked by trade frictions, which have been underpinned by misunderstandings on both sides.

It says: "In Europe there remains a deep-rooted tendency to believe that Europe only can set universal standards and that what is universal ought to derive from Europe."

The report adds: "It is undeniable that the perception gap between Japan and the EC is far wider than the geographical distance."

Japan would have to harmonise many of its economic practices with international standards, particularly by reducing working time.

But Japan's growing trade surplus with the EC was largely a reflection of EC producers' relative lack of interest in penetrating the Japanese market.

The report recommends setting up an expert study group to examine the growing trade imbalance, as well as measures to strengthen the Japanese Fair Trade Commission and help promote imports into Japan.

It proposes wide-ranging joint ventures between Japanese and European companies to penetrate Asian markets, as well as public money from the EC to help to guarantee private sector Japanese investment in eastern Europe.

The report says that as Europe proceeds towards monetary union, financial agreements between the Bank of Japan and the German Bundesbank could be expanded to the EC level. Currency stability would also be enhanced by liberalisation of the Japanese financial markets, it says.

The report's main recommendation is for a series of joint study groups on the prospects for free trade, corporate behaviour, science and the environment and financial assistance for developing countries.

Sharp import fall lifts trade surplus

By Charles Leadbeater

JAPAN'S trade surplus last month rose by 18.5 per cent to $7.6bn largely as a result of a sharp fall in imports, according to figures published yesterday by the Finance Ministry.

Senior officials at the Ministry of International Trade and Industry said they were ready to open discussions with the incoming Clinton administration in the US on a new approach to trade frictions to replace the Structural Impediments Initiative, which was launched in 1989.

Mr Sozaburo Okamatsu, director general of the ministry's international trade policy bureau said: "We are ready to discuss changing the SII forum for discussing structural trade issues, particularly if a new forum included a wider group of academics and business people to analyse the situation."

Exports last month were virtually stagnant, rising by just 0.7 per cent to $27.2bn from a year before. The growth in the surplus was mainly because of a 4.8 per cent fall in imports to $19.7bn.

In yen terms exports fell 5.1 per cent to Y3,351bn, while imports were down 10.5 per cent to Y2,414bn.

The slowdown in the Japanese economy is continuing to take a heavy toll in corporate bankruptcies, according to a report published yesterday by the Teikoku Data Bank, a research agency.

Bankruptcies with debts of more than Y10m last month were 15.7 per cent up on last year, with bankruptcies in manufacturing up by 47 per cent and retail bankruptcies up by 29.7 per cent.

Harsh challenge for both Israel and PLO

Hugh Carnegy on the armed tactics of an Islamic militant movement

THE WEEKEND kidnapping of an Israeli soldier has underlined not just the strength of Islamic fundamentalists in the occupied territories, but also the challenge they pose both to Israel and to the Palestine Liberation Organisation.

The abduction of Sgt Major Nissim Toledano of the paramilitary Border Police as he walked to work in the central Israeli city of Lod was accomplished with cool efficiency by the so-called Qassam military wing of the Hamas "Islamic Resistance Movement" on the fifth anniversary of the official founding of Hamas.

In those five years, Hamas has grown in influence in the West Bank and, especially, in the squalid refugee camps and towns of the Gaza Strip. It sees itself as being in the vanguard of the *intifada*, the uprising against Israeli rule which erupted in Gaza in December 1987 as Hamas came into being.

Lately Hamas has, through Qassam, stepped up its use of firearms against Israeli forces – as distinct from the stones and petrol bombs which otherwise characterise *intifada* violence. In the last week alone, Qassam has shot dead four soldiers, compared with 20 troops killed in the previous five years of the uprising.

Sheikh Ahmed Yassin: kidnappers of an Israeli sergeant are demanding his release

These killings and the kidnapping of Sgt Major Toledano are deeply troubling developments for the Israeli army. Troops deployed in the West Bank and Gaza are geared chiefly to combat street rioting – albeit frequently with deadly live fire. They are not set up well against armed ambushes. Few of their jeeps and trucks are bullet proofed as are those of the British forces in Northern Ireland.

However, the political challenge of Hamas – an Arabic acronym for Islamic Resistance Movement which also means courage – is probably more worrying for Israel, and, ironically, also for the PLO, traditionally Israel's great enemy.

Hamas strongly opposes the Middle East peace talks in Washington which the PLO supports. It rejects not only the scheme of an interim period of self-rule for the Palestinians before talks on the final status of the territories; it rejects outright PLO acceptance of Israel's right to exist alongside a secular, independent Palestinian state. Its ideology demands establishment of an Islamic state in all of Palestine.

Israel originally allowed the formation of Islamic groups in Gaza in the hope they would erode the supremacy of the PLO. But the strategy has backfired as Hamas has waxed far stronger than the authorities imagined.

PLO supporters say Hamas still attracts only minority support. In the few elections allowed in the West Bank and Gaza recently, such as for chambers of commerce and student bodies, the PLO has tended to come out on top. But in Gaza and some areas of the West Bank, support for Hamas is reckoned by many to be around 40 per cent.

The PLO fears Hamas could do uncomfortably well if it chose to participate in general elections proposed in the peace talks – something it has not specifically ruled out. Sheikh Ahmed Yassin, the crippled leader of Hamas whose release from jail is sought by Sgt Major Toledano's kidnappers, certainly believes so.

The frail, bearded Sheikh Yassin told the Financial Times in one of the last interviews he gave before he was arrested in 1989: "The overwhelming majority of Palestinians are Moslems and they do not reject Islam. Even some members of the PLO are supporters of the Islamic movement. That is why I am confident that if there was complete freedom for voters then the Islamic movement would win everywhere – in Gaza, the West Bank and even among Moslems inside Israel."

Scores of Hindus arrested on march

By Stefan Wagstyl in New Delhi

INDIAN police yesterday arrested scores of Hindu nationalists as they marched towards the Pakistan High Commission in New Delhi in a demonstration organised by the right-wing Hindu Bharatiya Janata party (BJP), the main opposition party.

The party's supporters last week destroyed a mosque at Ayodhya in northern India and prompted nationwide violence.

Across India, security forces also rounded up hundreds of members of militant religious organisations which have been banned by the government following the events at Ayodhya.

The move was aimed at showing the determination of Mr P V Narasimha Rao, the prime minister, to punish the perpetrators of the attack on the mosque and to try to stop militant groups from fomenting religious intolerance.

The BJP delivered a protest letter to the Pakistan government condemning the destruction of Hindu temples in Pakistan. It has also condemned the ban on activist groups and the arrest of senior party officials including Mr L K Advani, the leader. It has pledged to fight government plans to rebuild the Ayodhya mosque.

More than 1,150 people have died in the riots which followed the mosque's destruction and which subsided at the weekend after tough police and army action.

S Korean economy faces a rejig

Alexander Nicoll and Jack Burton look at politicians' plans

SOUTH KOREA'S well-entrenched bureaucrats might pale at Mr Chung Ju-yung's vision of the finance ministry as a kind of policy research institute, to which he would grant "a role in formulating the budget and monetary policy". Under his approach, the powerful Economic Planning Board could also expect its days to be numbered.

The founder of the Hyundai industrial conglomerate, who is standing for president in elections on Friday, has won nationwide support through his brash promises of smaller government, open markets, lower borrowing rates and trebled per capita income in five years.

Yet Mr Chung is simply expressing the most extreme version of what is recognised by the two more established candidates, Mr Kim Young-sam and Mr Kim Dae-jung, as a transformation vital for Korea's economic progress.

It is generally recognised that Korea has to loosen bureaucratic shackles on the economy, open up financial markets, and improve productivity and technology if it is to sustain its growth. Though the economy has expanded by an average of 8 per cent a year in the five years of Mr Roh Tae-woo's presidency, a fall to a 3.1 per cent annual rate in the third quarter caused widespread alarm. Mr Roh's economic leadership is dismissed as weak by most politicians.

Mr Suh Sang-mok, an economic adviser to Mr Kim Young-sam, the ruling party candidate, says: "Korea has a bicycle economy – if the speed is too slow, you fall off." The top priority, he says, is improving the international competitiveness of Korean industry, which has sagged as a result of labour unrest and rising wages.

The platforms of all three candidates reflect the belief that five-year plans and direct government control of the economy, with bureaucratic sanction needed for most important corporate decisions, are no longer suitable given Korea's advanced stage of economic development and democratic freedom.

Mr Park Jae-yoon, another adviser to Mr Kim Young-sam, says: "We believed implicitly that the economy could grow by itself along the previous development path. But that was wrong. So now we have to change the nature of the economy."

Mr Yoo Jong-keun, an adviser to Mr Kim Dae-jung, the leading opposition candidate, says: "If we want full commitment to democracy, then we have to have a full commitment to the free market system."

The candidates plan reform in several key areas:

□ Financial liberalisation. Tightly controlled interest rates, credit allocation, and curbs on capital flows create distortions – for example, deposit rates are artificially low and borrowing costs artificially high, especially for smaller companies. All candidates would accelerate the current official timetable, under which significant financial reforms are postponed in 1997. Mr Chung would free all interest rates immediately, while Mr Kim Young-sam is likely to be more wary of causing disruption through rapid reform.

□ Chaebol reform. The family-owned industrial conglomerates dominate the economy at the expense of smaller companies and have prospered through subsidised loans.

Mr Roh's attempts to use credit controls and to encourage them to focus on a few core businesses have produced few results. All candidates aim instead to fragment the *chaebol* by strict application of inheritance tax, encouraging owners to sell some of their holdings on the stock market; and by enforcing anti-trust laws.

Mr Chung takes the most radical approach, promising to dissolve the *chaebol* – he is setting an example with plans to distribute Hyundai group companies among his six sons.

□ Banking reform. All candidates would cease government appointments of private sector bank chairmen and top executives. Government-mandated low interest loans to sectors officially deemed strategically important, from agriculture to high-technology industry, would be gradually phased out.

□ Slimmer bureaucracy. As part of a drive to make the economy more market-led, Finance Ministry powers would be curbed. All candidates promise to study the role of the Economic Planning Board, which once directed the economy through five-year plans.

□ Industrial competitiveness. Inadequate spending on research and development have hampered Korea's progress towards higher-technology industry which would keep it ahead of other rapidly developing countries. The candidates would, through tax incentives, raise total Korean research and development spending from 3 per cent to 5 per cent of gross domestic product.

□ Financial disclosure. All candidates favour "real-name" accounting, which would prevent concealment of financial assets. This would raise tax revenues, but could cause liquidity problems in financial markets.

Laudable though these plans may be, seasoned economists are sceptical about the candidates' commitment to them and about their timing. Korea's regulated economy gives officials great power.

Mr Lee Hahn-koo, president of Daewoo Research Institute, says: "Since 1975 the government has said it wants to deregulate and have a private sector-led economy. But actually more and more regulations have accumulated."

However, the challenge for the next president will be to push through economic reform. If he does not, Korea's progress up the league of industrial nations will be at risk.

SOUTH KOREAN ECONOMY

	1989	1990	1991	1992*
GDP growth %	6.2	9.0	8.3	5-6
Inflation %	5.6	8.6	9.7	4.0
Current a/c $bn †	+5.1	-2.2	-8.8	-4.5

† + surplus; - deficit * Government estimates

Soldiers add security to Somalia relief

Aid agencies have fewer doubts about US-led intervention, reports Julian Ozanne

Somali children drink from a drum at a feeding centre at Baidoa yesterday after several hours wait for the fresh water ration

WESTERN aid agencies who have fought a battle to deliver food and medicine to Somalia's starving millions have greeted the US-led military intervention with relief and optimism.

In Mogadishu gunmen and their battle wagons have virtually disappeared from the streets and the relief gateways of the port and airport are secure and operating at full capacity for the first time in two years.

Even the most sceptical aid agencies, such as Britain's Save the Children Fund which opposed the US operation at the beginning, have cautiously welcomed the multinational force building up in Mogadishu with a United Nations mandate to protect the delivery of relief supplies.

Concern is growing about the slow movement of the military into the starvation-ridden interior, and reservations about the long-term commitment of the US-led task force remain among many experienced aid officials. But in the six days since US Marines first landed in Mogadishu, aid workers have begun to feel that they can now do their job without fearing for their lives or being held hostage to extortion; intimidation and the threat of looting.

Fears among some agencies that expatriate aid workers would be made targets by resentful Somalis suddenly put out of a lucrative protection racket have so far proved unfounded.

"We have seen some security benefits," said Mr Don Redding, Save the Children spokesman. "But we are not yet satisfied there's sufficient thinking about long-term development and the involvement of Somalis in reconstruction."

> 'But we are not yet satisfied there's sufficient thinking about long-term development and the involvement of Somalis in reconstruction'

Others such as the international relief and development agency CARE and the UN World Food Programme, which were strong although belated advocates of military intervention, are more optimistic.

"We have always had the capacity and food pipeline to feed Somalia within weeks," said Mr Paul Mitchell of WFP. "Now the security situation is ten times better already and we are getting the operation moving swiftly. Food is already moving through the port and city with the help of the marines."

Turmoil, violence and looting had overtaken Somalia by early last year. Many Somalis feared that each food shipment would be the last and in the scramble for scarce resources armed robbery, diversion of food convoys and shoot-outs over food became the norm. Merchants and warlords cashed in on the relief business, hiring out bandits turned guards and armoured battle wagons to agencies desperate for protection and then paying gunmen to loot relief supplies they were paid to protect.

The airport was repeatedly closed and re-opened as the clan-faction which nominally controlled it massively increased its fees and occasionally fought gun-battles with rival clans.

At the port relief ships were looted in the harbour. Port security guards, supplied by one warlord, had to be paid off with large amounts of food and in money to get relief trucks moving out of the port. Once the trucks left the port gates, as much as 80 per cent were "diverted" – a Somali euphemism for stolen.

Movement of food into the interior, outside a handful of towns, was impossible and at least 300,000 people have starved to death this year.

Lengthy negotiations with the warlords, first by humanitarian relief organisations and then by UN representatives, got bogged down in the greed of opposing groups determined to benefit more than their rivals. It took four months for the UN to get 500 poorly armed Pakistanis into Somalia and deployed into the airport.

Patience finally broke after two incidents. First Bardera, a town north-west of Mogadishu, after a tussle between Somalia's two main battling warlords was retaken by Gen Mohammed Hersi Morgan from Gen Mohammed Farrar Aideed. Aid workers were evacuated. The death rate rocketed from under 100 a day to 307 a day at its highest.

Bardera proved that relief efforts were futile without vastly improved and long-term security.

Weeks later, on November 24, a WFP-chartered ship with 10,000 tonnes of wheat was shelled as it tried to dock in the port, and turned back.

"These incidents finally demonstrated what we had been arguing for since November of last year," said Dr Willy Huber of SOS Kinderdorf, which drew up a plan for military intervention at that time and tried unsuccessfully to seek other agency support for the scheme. "Since 1991 all efforts to distribute food were a waste of time, energy and resources without security backed by massive force."

The US-led force in Somalia are still trying to find their feet and learn how to deal with an armed population who have lost respect for authority and their starving fellow people. Concern is growing among aid workers about US statements that Washington wants to withdraw its forces by late January and hand over to the UN, which is thoroughly discredited in Somalia.

"I am not in favour of military intervention but it had to happen," said Dr Dominique Martin of Medecins Sans Frontières. "But it is the transition from the US to the UN which really worries me and how they will handle to gunmen and the clans which are losing out. It could still fall apart if they don't handle it right and then we will be back to square one."

Flores quake toll hits 1,600

THE DEATH toll from the weekend earthquake which struck the Indonesian island of Flores rose to 1,600 yesterday, and is expected to increase further as rescue teams reach outlying islands, writes William Keeling in Jakarta.

The United Nations Development Program is preparing an emergency package of aid and foreign embassies in Jakarta say they are studying how best to assist disastervictims.

Japan, already Indonesia's largest donor, announced yesterday it was sending $500,000 worth of medical supplies, tents and blankets to assist relief efforts, and a further $1m in direct aid.

The epicentre of the earthquake was 30kms north of Flores, sending a tidal wave up to 80 feet high onto the coastal town of Maumere.

"There's a desperate need for shelter. The population is completely shocked and unable to do anything for itself," said one donor official.

At least one-third of Maumere's buildings were destroyed and local government officials warn of an outbreak of disease unless medical supplies arrive quickly. Indonesia is in the midst of its wet season and heavy rain yesterday was reported.

Algiers gunmen kill five police

Five policemen were ambushed and killed by Moslem terrorists in Algeria yesterday in the most serious attack on security forces in almost a year, Reuter reports from Algiers.

The policemen were ambushed in the Kouba fundamentalist stronghold of Algiers.

Five died on the spot and a sixth was seriously wounded, the police said. It was the most severe blow to security forces since six policemen died in a dual ambush in Algiers' Casbah on February 10, one day after a state of emergency was decreed.

Yemen premier 'quit after riots'

An opposition politician in Yemen said yesterday that Mr Haider Abu Bakr al-Attas had resigned as prime minister after cost-of-living riots in which 13 people were killed, Reuter reports from Sanaa.

"Attas has definitely resigned and nobody can deny this," said Mr Abdul Rahman al-Jefri, leader of the Sons of Yemen League. Government officials refused to comment.

The opposition reported that President Ali Abdullah Saleh had rejected the resignation and that government officials were trying to persuade Mr Attas to go back on his decision.

Eight die in Kenya clashes

Eight people were killed in political violence near the west Kenyan town of Eldoret over the weekend, the government said yesterday, Reuter reports from Nairobi.

The clashes were the worst so far in the sometimes violent run-up to Kenya's first multi-party presidential and parliamentary elections on December 29.

A government statement said at least eight people were killed and several houses burned in the unrest at Burnt Forest near Eldoret. Police had moved in to restore order, it added.

Ex-PM faces funds charge

Police in Papua New Guinea charged former Prime Minister Rabbie Namaliu yesterday with misappropriating government funds, Reuter reports from Port Moresby.

The charges relate to money which four of Mr Namaliu's ministers demanded in 1990 in return for their support in a planned vote of no confidence.

Police said Mr Namaliu was charged with about 14 counts of misappropriation. He was allowed to leave police custody but was due to make a court appearance today.

Pakistan curbs bank liquidity

The state Bank of Pakistan, the country's central bank, has tightened liquidity requirements for the country's commercial banks after an "unprecedented" monetary expansion during the past five months, writes Farhan Bokhari in Islamabad.

Trial shines light into dark Mexican corners

Drug case puts political system in dock, writes Damian Fraser

MEXICO is accustomed to being portrayed by the US as corrupt and violent, but rarely can the charges have been as serious as those levelled last week during the trial of Dr Humberto Alvarez Machain. The Mexican doctor is accused by US federal prosecutors of aiding the 1985 murder and torture of a Drug Enforcement Agency (DEA) official, Mr Enrique Camarena.

According to two witnesses called by the US government, Mexico's then interior minister, governor of Jalisco and defence minister were all in the pay of the Guadalajara drug cartel. The witnesses also claimed that the ministers and governor were present at meetings in which Mr Camarena's murder was planned and visited the house where Mr Camarena was held on the day he was killed.

In the view of the Mexican government – already furious at the kidnapping by the DEA of Dr Alvarez Machain from Mexico, which enabled the trial to go ahead – the charges are "based on the testimony of delinquents and criminals who do not merit credibility in light of their personal history".

Such an opinion has gained some sympathy in Mexico. The witnesses are convicted criminals, who have been offered immunity (and money) by the US government to testify and may convince the Los Angeles judge presiding over the trial. He was expected to decide yesterday afternoon whether to dismiss the case against Dr Alvarez Machain for lack of evidence.

But to critics of Mexico's political system, the charges are an indictment of the state that has enabled the implicated officials to rise to such important positions. The two government ministers accused in the trial are not only quintessential products of Mexico's ruling Institutional Revolutionary Party, but also close colleagues of former President Miguel de la Madrid and current President Carlos Salinas de Gortari.

Mr Manuel Bartlett, the interior minister at the time of the Camarena murder, has worked in the Finance, Budget, and Foreign ministries, was education minister until earlier this year. He has just been elected governor of Puebla state. At one point he was favoured to succeed Mr de la Madrid as president. Mr Enrique Alvarez de Castillo has been governor of Jalisco, attorney-general, and is now the director of the state bank, Banobras, while Gen Juan Arevalo Dardoqui, the former defence minister, is a career army man.

For the Mexican government, allegations against such senior officials could not have come at a worse time. It is now trying to build ties with Mr Bill Clinton's incoming administration and convince the US public that Mexico is a worthy member of the proposed North American free trade area. The description of the torture of Mr Camarena by Mexican police, drug traffickers and possibly senior government officials, in retribution for his success as a DEA agent, will have done little to help that cause.

The accusations, whether true or not, are also likely to draw attention to the greatest flaw in the Mexican state: corruption in the legal and political system – hardly touched by President Salinas's economic reforms.

In practically all the big drug scandals over the past decade, be it the murder of Mr Camarena, the prison riot between rival drug gangs at Matamoros last year, or the shoot-out between the army and police in Veracruz this year, police, army or government officials have been implicated in narcotics trafficking.

The police are also largely responsible for Mexico's dismal human rights record, another issue likely to be raised by the US Congress when considering the free trade agreement. As Mr Jorge Carpizo, president of the government's human rights commission, put it: "Police officers who engage in torture are neither sadists nor deranged.... They know that in most cases, even when they exceed themselves to the point of homicide, they will not be punished because their chiefs will defend or cover up for them."

Mexico's politicians in turn are protected not just by a malleable police force and legal system, but by television and most newspapers, which try not to embarrass senior government officials. The owner and publisher of the Mexico City News, Mexico's English-language daily, blocked unflattering articles on Mr Bartlett in the run-up to the Puebla election earlier this year.

In a similar vein, the investigative weekly, Proceso, claims state officials working for Mr Bartlett tried to buy up all Puebla copies of the December 6 edition, which featured charges against Mr Bartlett on the front cover, in a futile attempt to prevent the magazine falling into the hands of the public.

Allstate may stay in New Jersey

By Nikki Tait in New York

ALLSTATE Insurance Company, one of the biggest US car insurers and part of the Sears, Roebuck retail and financial services group, is thought to have struck a deal with the authorities in New Jersey, and will suspend its withdrawal from the state.

The largest provider of car insurance in New Jersey, Allstate stunned the insurance industry in September 1991 when it announced that it was seeking regulatory approval to stop writing virtually all types of coverage in the state. The company blamed years of losses from its car insurance operation, and its move was seen as a direct challenge to New Jersey's governor, Jim Florio. Governor Florio has been strongly sympathetic to consumer demands for lower insurance premiums and reform of New Jersey's insurance laws.

Allstate's move threatened to have particularly large repercussions in terms of insurance cover.

Over the weekend, however, the Chicago-based insurer is thought to have reached a settlement with the Florio administration, under which Allstate will be permitted to raise rates and the withdrawal will be suspended.

There was no immediate comment from Allstate, but a statement was expected later in the day.

Correction

Sheikh Khalid

In Saturday's FT, it was reported that a law suit issued against Sheikh Khalid bin Mahfouz, former head of the National Commercial Bank of Saudi Arabia and the bank, sought to freeze the assets of Sheikh Khalid and the bank. The suit, issued by liquidators of the Bank of Credit and Commerce International, seeks to freeze the assets of Sheikh Khalid and not the bank itself.

Uruguay's voters block sell-off plans

URUGUAYANS blocked President Luis Alberto Lacalle's most ambitious privatisation projects by an overwhelming majority in a referendum on Sunday, according to yesterday's official results, writes Our Correspondent in Montevideo.

The official count showed that 71.2 per cent of the 2m electoratehad voted against five articles of Uruguay's public sector companies law. The law was passed in March but the president was forced by opposition pressure to call the referendum.

The vote will prevent the government selling off 51 per cent of the Antel Telephone Company to foreign and local investors. Mr Lacalle's Blanco party administration had hoped to raise $500m by entrusting the profitable but overmanned Antel to a foreign operator.

It had even picked seven telecommunication companies for a tender to find a partner for Antel.

The president, a conservative who before the referendum had refused to consider other formulas for Antel's privatisation, seemed undeterred. In a televised message he said he would seek agreements with the opposition, insisting that he intended to push ahead with reforms in the two years left of his five-year tenure.

Opposition politicians, however, saw the referendum vote as a victory, with voters crossing party lines over an issue that has pitted free market supporters against nationalists of all hues.

Former President Julio Maria Santuinetti, a leader of the Colorado party, said the referendum proved that his own party and the left-wing Frente Amplio coalition were now the dominant forces.

Senator Alberto Zumaran, a rebel of Mr Lacalle's party who sided with the president's critics, called for a reform of Uruguay's winner-take-all electoral laws. "Party lines were torn apart. There were factions on each side of the issue, especially among traditional parties. The referendum was the straw that broke the camel's back," he said.

The PIT-CNT labour leaders who spearheaded the campaign against Mr Lacalle's plan said the vote was a clear rejection of the government's unpopular economic policies.

However, the financial daily, El Observador said that people had simply postponed the painful need to overhaul the state by rejecting Mr Lacalle's timid privatisation plan.

Mr Lacalle has floated the public sector's deficit and eased inflation down to 60 per cent from over 100 per cent. But his policy of keeping public sector pay increases below inflation, coupled with plans to reduce the state presence in the economy, has caused innumerable strikes and widespread discontent. One in 10 Uruguayan adults work for the state.

Mr Lacalle also ran into trouble last month when he granted the armed and security forces substantial awards after policemen staged a four-day strike and military officers demanded higher wages.


President Lacalle had hoped to raise $500m by entrusting the Antel telecommunications group to a foreign operator. He seemed undeterred yesterday by the result of the referendum

Supreme Court to review US insurance ruling

By George Graham in Washington

THE US Supreme Court has agreed to review a court ruling that could close one of the loopholes through which banks can gain access to the insurance market.

The Court said yesterday that it would take up a case brought by the Independent Insurance Agents Association against the National Bank of Oregon, contesting banks' right under a 1916 law to sell insurance policies in towns of fewer than 5,000 people.

This limited loophole was widened in 1986 when the Comptroller of the Currency, who supervises nationally chartered banks, decided that a bank could expand its insurance sales from its small town base to other markets.

A federal appeals court in February not only dismissed this decision, but ruled the entire section justifying it was repealed in 1918 as a result of a congressional drafting error.

Lawyers for the Bush administration have backed the bank's appeal against the appeals court ruling.

The Oregon bank has been selling policies to its customers nationwide from the small town of Banks, and about 100 banks have also taken advantage of the loophole.

The administration's efforts to allow banks much broader rights to sell insurance and other financial services failed in Congress last year. However, the Supreme Court last year refused to review another ruling – in this case, in favour of the banks – on a Delaware state law permitting banks to sell insurance policies through locally chartered subsidiaries.

Banks have been excluded from activities such as stockbroking, securities underwriting and insurance by legislation from the 1920s and 1930s. After the 1991 attempt at broader legislative reform failed, they have placed most of their hopes for expanded powers to sell a full range of financial services on piecemeal decisions by regulators.

Third world urged to open textile markets

By Nancy Dunne in Washington

TEXTILE coalitions from the US and Europe yesterday united in Washington to demand changes in the Uruguay Round negotiating text to force developing countries to open their textiles and clothing markets to the industrialised countries.

Mr M L Cates, president of the American Textile Manufacturers' Institute, cautioned against a "rush to a quick and crippling conclusion in the Round", so as to give the Clinton administration a chance to address issues neglected in the negotiations.

These include closed markets, export subsidies, child labour, piracy of designs and environmental concerns.

The textiles producers are newcomers to environment and labour rights issues, according to Mr Martin Lewin, a lawyer for the US Association of Importers, Textiles and Apparel.

"They fought tooth and nail against every labour and environmental reform... but now you have a president [Clinton] who is more sympathetic to labour and environmental issues, so they are now talking the rhetoric of labour and environment," said Mr Lewin.

Mr Cates and Mr Wolfgang Sannwald, president of Comitextil, a coalition of European producer groups, presented what they called "a Magna Carta" for the industry and urged that it be adopted in the Round. It provides for market openings "on a reciprocal basis among free market economy countries"; vigorous measures against piracy of intellectual property; commitments on labour rights like child labour laws; and enforcement of environmental standards.

Mr Sannwald said last year textile exports from India and Pakistan totalled $4bn while the home markets were closed to imports. China last year exported textiles worth $9bn and imported $61m's worth.

Penalties on cartels tightened by Tokyo

By Robert Thomson

THE Japanese government has toughened the criminal penalties for the formation of cartels, following pressure from the US and recommendations from the Fair Trade Commission, the country's anti-monopoly body.

Meanwhile, a separate advisory panel to the Ministry of International Trade and Industry (Miti) yesterday recommended that the government increase protection for intellectual property rights by toughening fines and redefining the types of products eligible for protection.

Japanese anti-monopoly legislation had made no distinction between a cartel violation by an individual and a company, and had kept fines for the two at the same level. But an amendment to the legislation provides for a distinction to be made and for far tougher penalties to be imposed on companies.

Under the new legislation, Japanese companies violating the criminal provisions of the law will be subject to a maximum fine of Y100m (£526,000), up from Y5m, while individuals remain subject to a maximum fine of Y5m and a jail sentence of up to three years.

The changes follow demands made by the US government at the bilateral Structural Impediments Initiative (SII) talks, designed to remove "structural" obstacles in the path of foreign companies attempting to increase market share in Japan. The US had identified cartels as one of the most important obstacles.

Rice farmers in Japan stage a ritual protest

Imports may prove unavoidable, writes Robert Thomson in Tokyo

JAPANESE rice farmers plan to take to the streets of Tokyo today, in an orderly formation of 50 tractors, to make a carefully choreographed protest against the government's hints that the closed rice market must inevitably be opened to imports.

This follows a promise of "flexibility" by Mr Kiichi Miyazawa, the prime minister, who has heralded, albeit through understatement, a new phase of debate on the most awkward issue confronting Japan in the Uruguay Round of multilateral trade negotiations.

His apparent acceptance that a rice market opening is necessary provides a focus for the protesting farmers, many quietly resigned to the idea but still pressing loudly for generous compensation.

"We have to say we are opposed to imports, but there doesn't seem to be any way of stopping them," lamented an official from a branch in Kumamoto of the Central Union of Agricultural Co-operatives, which organised the tractor protest and has invited a French farmers' representative to witness how it is done the Japanese way.

A 26-year-old farmer in the same region of southern Japan complained that the quality of local rice is "clearly higher" than the foreign product, but he and other producers may lose out "because modern Japanese cannot tell the difference between good rice and bad rice". There is still high emotion in some paddy fields, but part of that anger is directed against the country's manufacturers, whose "excessive" exports are seen as a cause of international demands for a rice market opening.

Protests will continue during the final stages of a debate which appeared to be settled two years ago, when the ruling Liberal Democratic party and farmers' representatives informally agreed that rice imports would inevitably be part of a Uruguay Round settlement.

The script for the political theatre in Japan provides for the EC and US to settle their disagreement over agricultural trade, placing Japan at the centre of the negotiations and allowing the government to say it has defended farmers' interests in the face of international pressure.

This may not happen until early next year, but Mr Miyazawa and his new cabinet are coming to terms with the responsibility of taking a decision on rice. Mr Koko Sato, chairman of the LDP's executive council, also suggested yesterday that the government must be "flexible" on rice tariffication – the replacement of the existing ban with tariffs, supposed to be reduced gradually over coming years. He indicated that the agriculture ministry has already begun research on extra support for Japanese farmers.

As Mr Sato suggests, there are two unsettled issues, the rate of tariffs and the compensation for farmers. Japanese officials have suggested that a tariff rate of 700 per cent may be high enough to keep out most of the foreign competition, particularly rice from Thailand, Vietnam, Australia and the US. But agriculture ministry officials insist that a special case must be made for rice and that the rate of tariff reduction must be minimal. They say that if rice is written into an international tariff schedule, the ministry and the farmers will lose control over the rate of decrease and the accompanying increase in imports.

The ministry calculates that the foreign share can be restricted to between 5 and 7 per cent of the 10m-tonne Japanese market, prompting a similar reduction in the country's 2.5m hectares of rice fields. On that basis, the next figure to be negotiated is the rate of compensation.

Japan already has a rice crop reduction scheme, and farmers are receiving incentives to convert paddy fields to melon or tobacco fields. Farmers are also likely to receive extra funds to advertise the home-grown product and their agricultural co-operatives are certain to get extra handouts for everything from new vehicles to seminars on pest eradication.


Japanese farmers claim the quality of their rice is higher than foreign products but still fear they may lose out *Ashley Ashwood*

US and greens pose quandary for Gatt

Plans for a new trade body are hotly disputed, writes Frances Williams

A TIDY-MINDED afterthought to the Uruguay Round of trade liberalisation talks has become yet another obstacle to completion of the stuttering six-year-old negotiations.

US objections to proposals for a powerful new trade institution to implement the Round's results are set against the backdrop of an aggressive campaign against the provisionally named Multilateral Trade Organisation by environmental groups, especially in the US where a final Uruguay Round package, due next February, faces a rough ride through Congress.

US officials last week infuriated trading partners in Geneva by suggesting that the MTO could be ditched, leaving the present General Agreement on Tariffs and Trade to administer the 28 or so Uruguay Round accords spanning virtually all world trade in goods, services and ideas (intellectual property such as patents, copyrights and trademarks).

After 45 years Gatt is still only a provisional contractual arrangement, after refusal by the US Congress in 1948 to ratify the International Trade Organisation, its legal parent. The MTO, first mooted by Canada and the European Community in 1990, would give the agreements the status of international law and concrete form to the idea of the Round as a "single undertaking" – to which all 108 participants must subscribe in its entirety.

It would subsume Gatt itself, proposed sister bodies on services and intellectual property, and the now voluntary Gatt codes on anti-dumping, technical barriers to trade and so on.

It would operate a common dispute settlement mechanism with the possibility of "cross-retaliation" between sectors.

US officials deny they are deliberately throwing a spanner in the works and say trading partners were alerted months ago that Washington had problems with the MTO draft text. "We're not closing the door on an MTO," says a senior official. "But we have to negotiate changes." Washington's main worries relate not to the MTO's status as an international treaty, as some have suggested, but to draft rules that override existing Gatt obligations or alter deals negotiated in the Round.

These concern voting procedures on amendments to international trade rules – which, unlike existing Gatt rules, would oblige dissenting countries to accept changes approved by a two-thirds majority – and the rights of countries to waive agreed rules or withhold their benefits from trading partners ("non-application"). Thus the draft agreement on intellectual property does not permit countries to opt out of its provisions. The draft MTO text does.

US officials say if other countries are unwilling to renegotiate the MTO rules it would still be possible to implement the Uruguay Round as a "single undertaking", including an integrated dispute settlement mechanism, by means of a ministerial declaration and accompanying protocol.

Environmentalists, for their part, argue that a powerful MTO, its policies formulated by trade bureaucrats behind closed doors, will trample on government efforts to protect the environment and promote sustainable development, by giving priority to unconstrained free trade. They fear, among other things, that it will force a "levelling down" of environmental, consumer and safety standards.

US negotiators say they are seeking "clarifications" to draft rules on food safety regulations and technical standards that would endorse the right of governments to set standards above international norms. Some European governments support this. However, this alone is unlikely to placate the environment lobby which wants a wholesale "greening" of the MTO text.

Another MTO problem concerns membership. Nearly 40 small developing countries which have not taken a full part in the Geneva negotiations could find themselves excluded because they have not made offers to liberalise trade in goods and services.

Worse, Brussels is pondering whether the EC rather than member states should become a member of the MTO. At present, it speaks in Gatt on behalf of members, which are individual contracting parties. However, the EC does not run a common regime on trade in services as it does for goods – so it is open to dispute whether it can speak on behalf of member states in services.

Polish steel deal finalised

By Christopher Bobinski in Warsaw

THE Italian quality steel maker, Lucchini, has said it will be "cautious" about expanding sales into European Community countries from its new joint venture with the Huta Warszawa steel mill in Warsaw.

Mr Luigi Lucchini, head of the company, who was in Warsaw yesterday to cap two years of negotiations, said the new company Huta L W had the Polish domestic market to concentrate on, while exports were needed to service the project's foreign currency debts.

Under the joint venture, the first foreign investment in Poland's steel industry, Lucchini has obtained 51 per cent of the mill's equity and is committed to a $200m modernisation plan over 18 months. The joint venture is capitalised at Ecu53.4m (£43.2m).

The balance of the shares is held by the mill's Polish creditor banks led by Wielkopolski Bank Kredytowy, which is soon to be privatised and now holds 21.8 per cent through a debt for equity swap. Lucchini's modernisation plan foresees annual output of 600,000 tonnes of quality steel.

Major predicts 15-nation EC by 1995

By Philip Stephens, Political Editor

MR JOHN Major, the prime minister, predicted yesterday that the Edinburgh summit would lead to a decisive shift in the direction of the European Community with its enlargement to at least 15 members by the beginning of 1995.

As the successful outcome of the summit won a warm reception from most Conservative MPs at Westminster, Mr Major said he expected Sweden, Finland, Austria, and possibly, Norway, to join the EC within three years.

Seizing the opportunity to undercut Tory critics of the Maastricht treaty, he said that the agreement at Edinburgh to pledge eventual membership to Hungary, Poland and the Czech and Slovak Republics would allow also the boundaries of the Community to be moved much further across eastern Europe.

Tory Euro-sceptic MPs pledged to continue their fight against British ratification of Maastricht, but the view at Westminster was that the summit had weakened significantly their chances of wrecking the legislation.

In confident mood after what even some opposition MPs conceded had been a considerable negotiating success, Mr Major emphasised repeatly that the Community would now move in the direction of enlargement and de-centralisation long favoured by Britain. By setting out procedures to enforce the concept of subsidiarity EC leaders had agreed "national decisions should be the rule and Brussels action the exception".

Resolution of Denmark's demands for exemptions from the treaty and settlement of the EC budget for the rest of the decade meant the Community had "come together again as 12 member states with a common purpose".

An ebullient Mr Major went on to pledge that the Maastricht bill would be considered by the Commons shortly after the Christmas recess.

But the failure of the summit to agree of measures to reverse the rising tide of unemployment across Europe drew sharp criticism from Mr John Smith, leader of the Labour opposition.

Attacking the UK presidency's "deplorable neglect" of the social dimension of the Community, Mr Smith said that the economic package agreed in Edinburgh had failed to meet the prospect of further large increases in unemployment.

With unemployment in Britain rising twice as fast as in any other EC country, a return to economic growth and the stimulation of employment should have been a crucial objective of the summit, he argued. "Given the appalling prospect of sharply rising unemployment, why was there no proposal for an emergency economic programme right across the whole community?"

Mr Smith also taunted the prime minister that another summit outcome appeared to be that the social chapter of Maastricht was "alive and well and fully supported by all other member states".

But he welcomed both the settlement of the Danish question and the enlargement plan, which he said would provide the EC with "a new and healthy dynamic."

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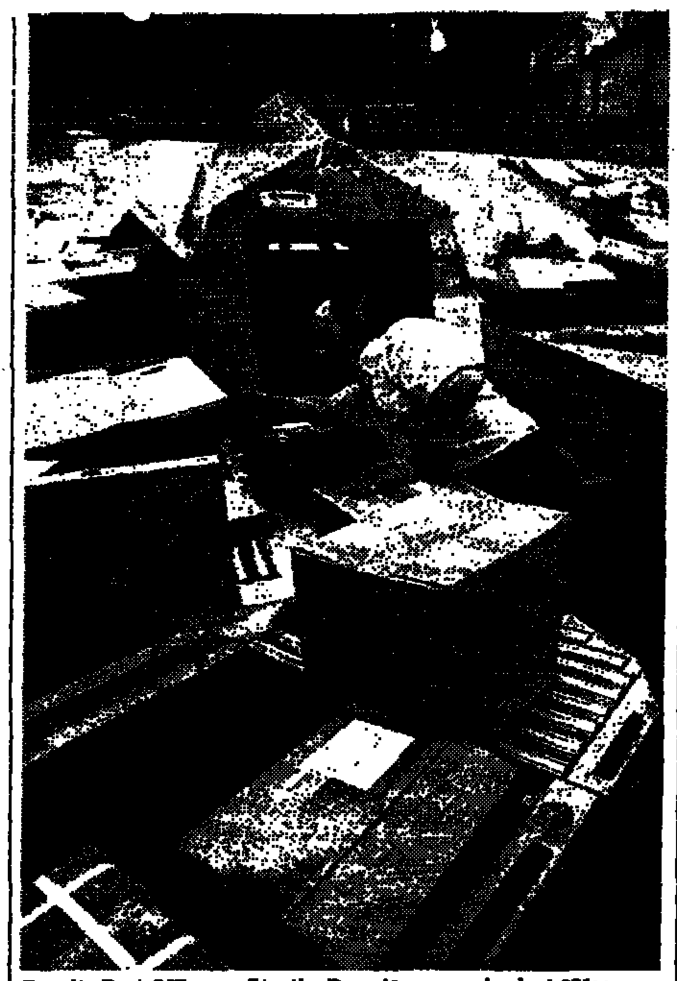


Despite Post Office profits, the Parcelforce service lost £21m

Ford union leaders fear Europe-wide job losses

By John Griffiths

FORD, the car and truck manufacturer, has called meetings with leaders of its employees in the UK and on the Continent tomorrow which may presage a cut of up to 10 per cent in its 97,400-strong European work force.

A spokesman for Ford of Britain, confirming last night that the meetings would take place, said that Ford would set out its view of the company's future prospects after reviewing the voluntary redundancy programme which has has already led to 3,587 jobs disappearing from Ford's British plants this year.

The final phase of this programme was achieved last week, with a restructuring of Ford's spark plug manufacturing activities and redeployment of employees from its Bridgend engine plant.

Ford, however, which has fallen heavily into loss in the second half of this year and which made record losses in 1991, is understood to be preparing a series of further restructuring measures across Europe. Mr Jimmy Airlie, negotiator with Ford for the Amalgamated Engineering and Electrical Union, said the union "feared the worst - but our position remains that we will not accept compulsory redundancies."

A planned ballot by trade unions at Ford's plants for industrial action against any compulsory redundancies will probably be postponed until next month while the outcome of tomorrow's meetings is assessed.

Ford, which has slipped to fifth place in the west European new car market, has been forced to cut production at all its European vehicle assembly plants this month in the face of continuing weak sales and excess stocks.

While deeply-depressed new car sales in the UK appear to have begun a slow recovery - they were up more than six per cent last month compared with a year ago - other large Continental markets are weakening.

1993 will be a 'year of progress' says Lamont

By Emma Tucker and Ralph Atkins

Norman Lamont: "scene set for recovery and growth"

MR NORMAN Lamont, chancellor of the exchequer, yesterday expressed optimism that 1993 would be a "year of progress" for the economy. But he faced a call for a more balanced economic policy over the medium term and further supply side measures to increase Britain's growth potential.

Mr Lamont said that the "scene was set for recovery and growth". Writing in The House Magazine in the Commons, he said the right environment was in place for a restoration of confidence.

He admitted that so far recovery had failed to take root, but wrote: "In Britain we face a growing threat to activity from the slowdown in the world economy. At the same time, the risks from inflation are diminishing. That is why the balance of macroeconomic policy overall has been tilted to give more weight to growth."

In its latest journal, the Society of Business Economists criticises economic management in the 1980s for relying on single policy measures rather than on a balanced and consistent economic package. Although the decade saw some supply side improvements in the economy, other problems were ignored including the weakening of the manufacturing base and the tendency to use too many resources for consumption rather than investment, it says.

Mr Richard Freeman, chief economist at ICI, writes in the journal's editorial: "The UK needs a strategic vision which is capable of changing attitudes throughout society about the economy's performance and particularly attitudes to manufacturing industry.

Ms Kate Barker, chief European economist, Ford of Europe, writes policy goals in the 1990s should be shifted from zero inflation to favour an improved supply side and lower unemployment.

Rail bribery case collapses

By John Mason, Law Courts Correspondent

At Westminster, Mr Harry Greenway has made his name as a parliamentary sketchwriters' delight – never stumped for words and supporting a bewildering variety of causes.

A regular participant in the questions to ministers that open each day's parliamentary proceedings, he has achieved publicity some of his greyer colleagues must envy. Memorably he has asked for rice pudding to be served more often in the House of Commons MPs' cafeteria and complained about the price of sweets in the House of Commons kiosk.

Until the election he was a member of the cross-party education committee and serves on the employment select committee.

BRIBERY charges against Mr Harry Greenway, the Tory MP, were dropped yesterday by the Crown Prosecution Service following the collapse last week of the trial of three other men charged with corruption over attempts to win rail maintenance contracts from British Rail.

Mr Greenway had been due to stand trial next October. The charges against him alleged he had corruptly accepted gifts including air-tickets from Plasser Railway Machinery GB, a long-time supplier of track maintenance equipment to BR. The Austrian-owned company was based in Mr Greenway's London constituency.

These from Plasser GB gifts included flights to Switzerland, West Germany and Austria, it was alleged.

In return, Mr Greenway had used his position as an MP to try and influence the appointment of a BR chairman and in trying to obtain British nationality for a Plasser director, it was claimed. Mr Greenway always denied the charges

The decision to drop the charges against Mr Greenway follows the acquittals of Plasser GB, Mr Norbert Jurasek, its managing director, Mr Michael Brooks, its company secretary and Mr David Currie, a former head of British Rail's civil engineering division. The trial judge had ruled their was insufficient evidence for their cases to go to a jury.

Following the collapse of the first trial, the Director of Public Prosecutions, Mrs Barbara Mills, had decided there was no longer a realistic prospect of Mr Greenway being convicted, the CPS said.

Mr Greenway is thought to have been the first member of parliament to face trial charged with corruption.

The collapse of the case marks the failure of the largest case brought for many years by the British Transport Police (BTP), a body that remains part of British Rail, but which acts independently.

A long investigation by the BTP, before the case was handed over to the Fraud Investigation Group within the CPS, resulted in the arrests in September 1988 of Mr Jurasek, Mr Brooks and Mr Currie. Mr Greenway was arrested in September 1990.

In the first trial, the prosecution claimed that Plasser's hospitality, including air-tickets, trips to continental nightclubs, complimentary tickets to watch the rugby at Twickenham, gifts of champagne and wine was on such a scale it amounted to a corrupt attempt over a 10 year period to win business from BR.

The judge, however, ruled there was no evidence of the alleged bribes having worked. The transactions complained of totalled only £11,000 over ten years. Prosecution allegations that Mr Currie had received so much hospitality that he had led the life of a rich man had not been supported by evidence, he said.

He also strongly criticised BR for not having taken firmer steps to reduce the hospitality offered by Plasser despite this being on a scale which breached BR's own guidelines.

Despite an internal British Rail inquiry held in 1983, no attempt had been made to correct the situation, the judge said.

Post Office announces record £135m profits

By Roland Rudd

THE Post Office yesterday reported record pre-tax profits of £135m for the half year to September 27, more than double the £62m achieved last year.

The increase was achieved on the back of £70m of cost savings, mostly from the Royal Mail, the letters division. Turnover increased to £2.56bn (£2.41bn).

Ministers are close to announcing their recommendation on the review of the Post Office's structure, which may lead to privatisation.

The Royal Mail's increase in pre-tax profits, from £62m to £131m, is expected to bolster the arguments in favour of floating the division with special incentives for employee participation.

Sir Bryan Nicholson, chairman, while not wishing to comment on the government's review, said: "Whatever ministers decide we would want to see the highest level of employee involvement."

It is understood the Post Office has already submitted a report to the government recommending the Royal Mail should be floated with special incentives, such as share bonuses, to encourage employees to take part in privatisation.

The company's Parcelforce division recorded a loss of £21m (£27m). Sir Byran said the division, which is for sale, hoped to break even by the end of its financial year in March because it was now in its seasonally strongest trading period.

Pre-tax profits from Post Office Counters, which sells stationary and pays out pensions, declined from £24m to £12m. It was the third successive fall in pre-tax profits.

Emission limits may force fuel prices higher

By Bronwen Maddox, Environment Correspondent

HIGHER fuel prices may be needed if the UK is to meet international targets for reducing carbon dioxide emissions, a government discussion paper said yesterday.

According to Mr Michael Howard, environment secretary, some of the measures the UK will have to take to meet international commitments "will not be easy".

However he denied that the present debate about the future of coal could jeopardise the UK's ability to meet international targets, even though the use of coal in power stations to generate electricity emits twice as much carbon dioxide as the use of gas. "If the review decides that more energy is to be produced by coal, more savings will have to be found elsewhere" he said.

One of the main targets of the paper is transport, the sector where emissions are growing fastest. A ten per cent rise in fuel prices above the rate of inflation could prevent emission of one million tonnes of carbon a year (MtC), or about 0.6 per cent of the total UK emissions, the paper says. Equipping new cars with speed limiters and reflecting fuel efficiency in the price of new cars could save another 2 per cent. On government projections, UK emissions in the year 2000 are likely to be at least 6 per cent, or about 10 MtC, above target levels.

More than 150 countries have signed the United Nations framework convention on climate change, agreed at the Rio Earth Summit in June. Under the convention they must make plans to stabilise emissions of carbon dioxide at 1990 levels by the year 2000. Mr Howard said the UK intends to ratify the convention by the end of 1993, obliging it to bring emissions back to 160 million tonnes of carbon.

A carbon or energy tax is among the options in the paper, although its impact on power stations' choice of fuel would be limited if the coal review directs the generators to take more coal.

British Coal faces increased charges for electricity

By Michael Smith

BRITISH COAL is facing significant increases in its own electricity charges at a time when the bulk of the coal it sells to generators is due to fall sharply in price.

Disclosure of proposed price rises by National Power and PowerGen, the two main electricity generators for England and Wales, will increase controversy surrounding electricity pricing and negotiations for coal-fired power supplies.

British Coal believes early talks with the generators for its electricity supplies indicate that it may face rises of twice the rate of inflation from April.

In common with other industrial concerns using more than 1 megawatt of electricity per year, British Coal negotiates directly with suppliers, rather than paying charges fixed by electricity companies in talks with the industry regulator. Many other large users are facing similar significant rises.

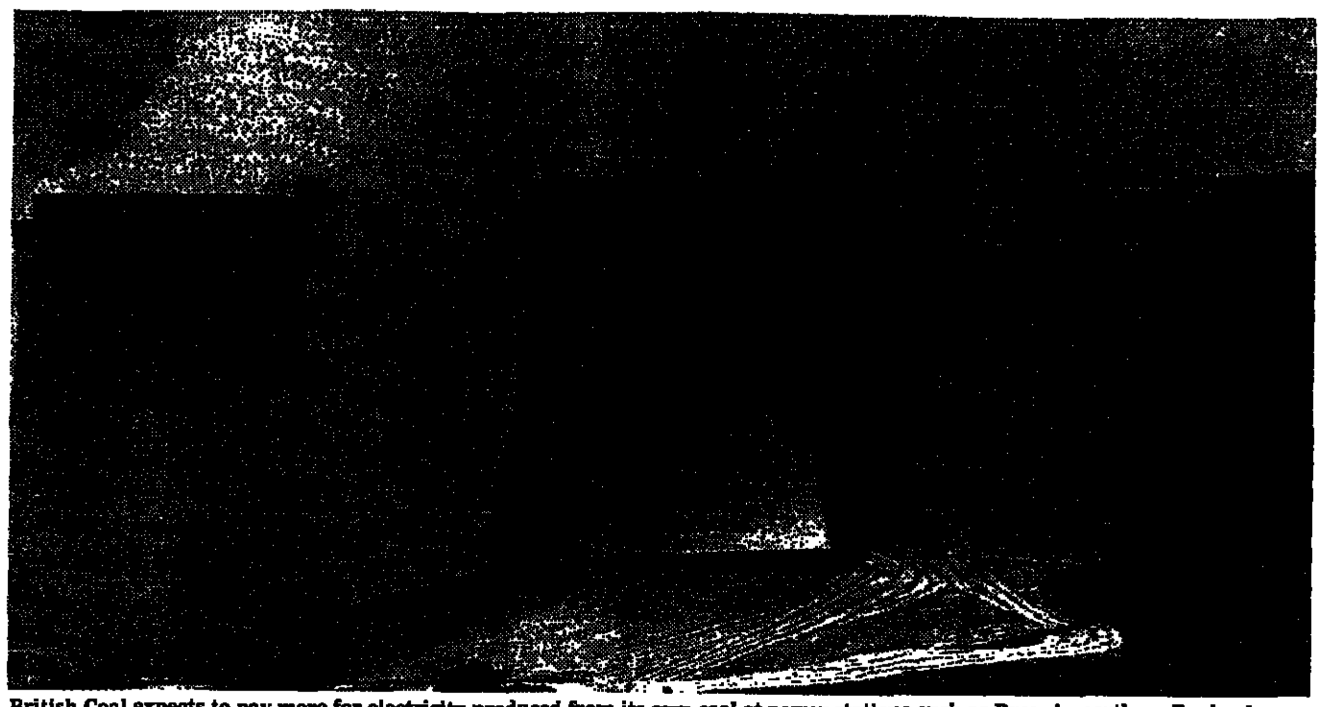
In an initial offer to British Coal, PowerGen has outlined a deal for the Nottinghamshire area which British Coal officials estimate will add 7.5 per cent to electricity prices from April.

National Power is thought to be considering higher offers for other British Coal regions, although in many cases its current prices to British Coal are lower than those of PowerGen.

The negotiations come in the wake of a report last week by Mr Stephen Littlechild, the electricity regulator, which questioned whether National Power and PowerGen are passing on to the consumer the effect of next April's expected coal price cuts.

National Power and PowerGen repeated yesterday that the cuts were being fully passed through. They pointed out that the British Coal for which prices are being reduced was used in the "franchise" electricity market. Large customers like British Coal were not affected.

They already pay much less per unit of electricity than domestic and small industrial customers. This is because coal for sale in the non-franchise market is bought at world prices which are lower than British Coal's.



British Coal expects to pay more for electricity produced from its own coal at power stations such as Drax, in northern England

Power distributor agrees coal deal

By David Lascelles, Resources Editor

EASTERN Electricity, one of Britain's leading power distributors, gave coal a boost yesterday by becoming the first regional distributor to sign up a new deal for coal-based power.

Eastern, the largest of the regional distributors in England and Wales, signed a five-year agreement with PowerGen, one of the two main generators, to take 21 terra-Watt hours of electricity. The deal has a value of over £100m a year, and is equivalent to 8m tonnes of coal.

The contract takes effect from next March 31 when all British Coal's current coal contracts are due to expire.

Dr James Smith, Eastern's chairman, said the deal was flexible enough to cope with changes in energy policy or regulatory regime. "We also believe that it does not prejudice the outcome of the current energy review," he said, "but in fact helps break the deadlock in electricity contracts and is a positive move towards securing the future of coal."

He preferred the certainty of a five year deal to the one-year deals which both Mr Michael Heseltine, trade and industry secretary, and Prof Stephen Littlechild, the electricity regulator, have indicated might be more appropriate until the government's energy review is complete. The deal would meet about 17 per cent of Eastern's needs over the period, and he hoped to sign a similar deal with National Power, the other large generator, by Christmas.

Mr Ed Wallis, chief executive of PowerGen, said he expected to complete deals with other distributors, though he doubted they would be done by Christmas. All the benefits of lower coal prices were being passed on in the contract with Eastern, he said.

Neither company was prepared to discuss the deal in detail. However it is based on the price of 3.26p per unit which has been on offer since the coal negotiations were initiated several months ago. It also excludes Eastern from paying "uplift" – the variable charge added to bulk electricity to finance the cost of running the electricity system.

Mr Neil Clarke, the chairman of British Coal, said the deal would bring much-needed stability to the coal market. He hoped other companies would sign five year deals to give British Coal the breathing space it needed to make its operations more efficient.

Other regional companies gave a mixed response. One said it would sign nothing until the review was completed.

Britain in brief

Number of MEP seats to increase

The government is to bring forward a bill urgently in the new year to increase the number of British Euro-constituencies in time for the 1994 elections to the European parliament.

The legislation will come at a particularly sensitive time, since it will have to be discussed while the Maastricht bill is still before the House of Commons. It will also raise the question of who will carry out the review, since the parliamentary boundary commissioners are busy working on the review of the boundaries for general election constituencies.

As part of the deal agreed at Edinburgh, whereby Germany is to get an extra 18 MEPs to take account of unification, the UK, along with France and Italy, will have six new seats to add to the existing 81 Euro-constituencies.

WDA attacked over payments

The Welsh Development Agency (WDA), the principality's job creation body, has been was savagely attacked before a House of Commons committee over redundancy payments amounting to £2.37m to former employees.

It also emerged during questioning before the public accounts committee that the government's Welsh Office was unaware of changes in the scheme for redundancy payments introduced by the agency.

Gloom deepens in engineering

Trading conditions for West Midlands engineering companies, whose experience acts as a barometer for the UK manufacturing sector, continued to deteriorate in the three months to November with a growing proportion of companies reporting a decline in domestic and export orders.

The quarterly business survey of the Engineering Employers' Federation West Midlands, covering 475 companies, showed the percentage of companies reporting lower domestic orders rose to 51 in November from 36 in August.

World Service cuts condemned

Mr John Tusa, the out-going managing director of the BBC World Service, has attacked the government for planning to cut the organisation's budget by £5m a year from 1994.

The proposed cuts come as the World Service, which has a regular audience of 120m worldwide, celebrates its 60th anniversary.

Last week Prince Charles argued that the BBC World Service should continue to expand services for audiences overseas.

Mr Tusa, who retires at the end of this year, said his argument was not with the Foreign and Commonwealth Office, which funds the World Service through grants. The potential problem was with Treasury public spending cuts.

Buy-out plan at tool group

The managing director of Dean Smith & Grace, the Yorkshire machine tool company which is due to be closed by its US owner in June, is trying to organise a management buy-out.

Ohio-based Monarch Machine Tool said last week it planned to relinquish ownership of the Keighley-based company, founded in 1865 and one of the great names of the UK machine tool industry. Mr Richard Hole, managing director for the past 17 years, is talking to financial institutions in Leeds about a possible buy-out.

New transport policy urged

The Confederation of British Industry has attacked the government for failing to draw up a co-ordinated strategy for tackling London's transport problems.

It said responsibility for transport in the capital was at present divided between 60 separate organisations and a single government-backed body was needed to co-ordinate their efforts.

Scots group to produce disks

A Scottish company, Calluna Technology, is soon to start manufacturing computer disk drives no bigger than a credit card which will be installed in the new generation of palmtop and sub-notebook sized portable computers.

Airport upturn

The number of domestic passengers using the seven UK airports owned by BAA, the airports operator, was 5.3m in November, a 3.9 per cent increase on November 1991.

Patent improvement

Robert Rice explains how changes to EC regulations will affect the Community's pharmaceutical industry

It looks like being a happy new year for Europe's pharmaceutical industry: on January 2, after years of wrangling and intensive lobbying, the European Community will adopt a regulation granting up to five years' extra patent protection for drugs.

The extension of the effective period of marketing exclusivity for drugs through a system of supplementary protection certificates (SPCs) is designed to give pharmaceutical companies a fair return on the growing cost of researching and developing new drugs, and to prevent research work moving from the EC to the US or Japan where drugs already enjoy extended patent protection.

As with all legislation born of political compromise, however, the European SPC system is far from straightforward. The procedure for obtaining a certificate is complex. The extent to which different EC states can alter the effect of the regulation by the way they implement it threatens a bureaucratic and administrative nightmare. Generic producers and companies making patented drugs under licence face a period of uncertainty.

For a long time, there has been widespread concern that necessary safety testing for new drugs imposes a heavy penalty on pharmaceutical inventions compared with other sectors of technology.

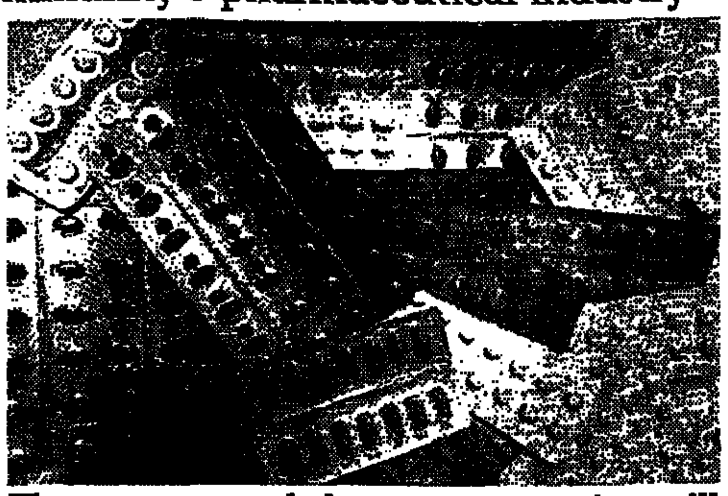
Patents in Europe generally last a maximum of 20 years from the application date. But, according to Ms Patricia Harris, an intellectual property lawyer with City solicitors Lovell White Durrant, the development period for new drugs – from discovery to marketing authorisation – lasts an average of 12 years. In complex areas of research into diseases currently regarded as incurable such as Alzheimer's, motor neurone disease and multiple sclerosis, the development time may be even longer.

This means that by the time they have obtained approval to market the drug, companies have little of the patent term left in which to use their monopoly rights to recoup the increasingly heavy costs of research and development, she says.

Although there has been little evidence of research migrating to the US or Japan, where patent protection is longer, or of it being abandoned, European governments accepted that it would be foolhardy to wait for signs of decline in the EC pharmaceutical industry before taking action.

Consumer organisations, however, warned that extended patent protection could push up the overall drugs bill for public health services across Europe by restricting the market for generic products.

But governments recognised that, far from pushing up the overall drugs bill, extended protection could be used to drive pharmaceutical prices down, says Mr Martin Paltnoi, a pharmaceuticals marketing consultant. This is because, once a reasonable period of marketing exclusivity is guaranteed, the rationale for allowing drug companies to charge high prices to recoup development costs over an uncertain and short period of patent cover no longer exists.



The cure: extended patent protection will help drugs companies to recoup R&D costs

Working out the duration of an SPC will not be easy. It will be available for the length of a drug's development period minus five years and for a maximum of five years. The development period is defined as the time between filing the patent in the EC country in which the SPC is sought and the date that it is first authorised for use in the EC as a whole.

Ms Harris says this means that if the development period is five years or less no supplementary protection will be available. If the development period is between five and 10 years an SPC of up to five years will be available, and for development periods of between 10 and 20 years a full five-year SPC will apply.

The procedures are also complex. A separate application will have to be made in the patent office of each member state in which supplementary protection is required. Applications will have to be filed within six months of the drug being authorised for use in the relevant country. For drugs already patented and authorised in the relevant member state on January 2 1993, transitional provisions will apply and any applications for an SPC must be filed by July 2 1993.

Under the transitional provisions for SPCs, a product must generally have been first authorised for use in the EC after January 1 1985. However, Belgium, Italy, Germany and Denmark have adopted different dates, while the transitional provisions will not apply at all in Greece, Portugal and Spain, where the regulation will not come into force until 1998. To complicate matters further, the Spanish government has started proceedings in the European Court to have the regulation set aside.

The changes mean an administrative headache for the national patent agencies, Mr Paltnoi believes, as they struggle to find out when and where in the EC a drug was first authorised for use in order to calculate the length of an SPC. Without a pooling of international data, accurate verification of first authorisation may prove impossible in many cases, he warns.

Ms Harris warns of an uncertain period for companies producing patented drugs under licence. Licences are usually expressed to last "for the duration of the patent". But an SPC does not extend the patent, it simply grants additional protection. Licensees who want a continued exclusive licence to produce and market a drug under an SPC will have to renegotiate their licence agreements.

The SPCs will go some way towards meeting the industry's requirements for an adequate period of patent protection in Europe, says Ms Harris. It will also be watched with interest by other industries, such as agrochemicals, which also experience problems in recouping R&D costs because of the length of time it takes to obtain marketing authorisations.

Sex discrimination case opens

EUROPEAN COURT

Last week the European Court held the oral hearing in the second Marshall sex discrimination case. In the first Marshall case, the Court ruled that Miss Marshall was entitled to rely on the provisions of an EC directive in her action for wrongful dismissal on grounds of sex discrimination against her employers, Southampton and South West Hampshire Area Health Authority.

Following the European Court's ruling, the case was remitted to the industrial tribunal to consider the question of compensation. Under UK legislation, the maximum compensation which could be paid at the relevant time was £6,250. The industrial tribunal assessed Miss Marshall's loss at £18,405, which included £7,700 in interest.

The area health authority paid the capital sum, but appealed against the tribunal's award of interest. The appeal went to the House of Lords which referred it to the European Court.

The case raises several important points, including the obligations of EC states to provide effective judicial protection of individuals' Community rights and what constitutes adequate compensation in such situations. The advocate general's opinion and the Court's ruling are expected next year.

C-271/91: Marshall v Southampton and South West Area Health Authority.

Frontier workers' rights clarified.

The Court has provided further clarification of the position relating to social security benefits paid to individuals who are resident in one member state and work in another.

The case concerned a woman who worked in Northern Ireland and resided in the Irish Republic with her husband and four children. She received child benefit in Ireland but then applied for it in Northern Ireland, where benefit levels were higher. The Northern Irish Court of Appeal referred the matter to the European Court.

The general rule under EC law is that the laws of the country of employment apply. But where an individual has a family in the state of residence, they are entitled to family benefits provided by that state. This rule does not apply, however, when the family already receives benefits given on the basis of a professional or trade activity carried on in the state of residence by the person entitled to the benefits or by the person to whom they are paid.

In this case the husband carried on a trade but he was not the person entitled to the benefits. His wife should therefore have been entitled to benefits in both Ireland and Northern Ireland. The Court ruled that the persons entitled to benefits included persons who had care of the children, which in this case was the husband, so the only benefits available were those from the Irish authorities.

C-119/91: McMenamin v Adjudication Officer, ECJ 5CH, December 9 1992.

Nestlé/Perrier

The European Commission's decision on the Nestlé/Perrier merger is to be challenged in the Court of First Instance by representatives of the Perrier workforce.

They argue that the merger should not have been cleared because it reduced the centres of competition in the bottled water market from three to two. They question the Commission's power to restructure the market through merger approval, and say that it should have prevented the disappearance of the third competitor rather than first allowing it to be destroyed and then requiring it to be recreated.

They also say the Commission should have ensured the merger did not infringe "fundamental social rights recognised by Community law" and claim they were not given a proper opportunity to participate in the proceedings.

BRICK COURT CHAMBERS, BRUSSELS

LEGAL BRIEFS

Proposal for chair of legal education

Are UK lawyers receiving the education and training they need to meet the rapidly changing demands of practising law in the 1990s?

In spite of new vocational courses from the Bar and the Law Society and a general shift in attitudes towards the teaching of law in recent years, a significant body of opinion within the profession believes UK legal education is headed in the wrong direction.

The problem facing the profession as it struggles to come to terms with the internationalisation of legal practice and rising public expectations about the quality of professional services, is how to determine the right direction. Evidence of dissatisfaction from end-users exists. Industry, for example, frequently complains of a lack of "commercial awareness" among young lawyers. But no analysis is carried out to see what can be done to improve matters.

Lord Woolf, the Law Lord, speaking in his capacity as chairman of the board of the University of London's Institute of Advanced Legal Studies, and Professor Terence Daintith, director of the IALS, believe the time has come to set up a chair of legal education in the UK to provide an assured capacity for research into the structure and content of legal education. The chair would be based at the IALS but funded externally.

Prof Daintith estimates the cost of running the post for an initial five-year period at £118,000 a year. The bulk of the money will have to come from the practising profession, but both he and Lord Woolf are adamant that it will represent an excellent investment for the legal profession. It is not so much a question of can we afford it, but "can we afford not to do it", Lord Woolf says.

Chance in China

City solicitors Lovell White Durrant are justifiably proud of having been chosen as one of only five overseas law firms to be awarded a licence to practise in Beijing by the Chinese government. But, given the current state of relations between the UK and China over the future of Hong Kong, it could be said that, apart from the prestige, there is little practical benefit for a British law firm in such a singular honour.

Not so, says Mr Christopher Smith, head of Lovell's China practice. Even without a privatisation programme, China is attracting more foreign investment than the combined privatisation programmes of central and eastern Europe.

Czechoslovakia attracted less than $1bn in its first round of privatisations; Russia hopes to attract up to $5bn over two years. In the first six months of 1992, China attracted commitments of $10bn, more than 80 per cent of it from China's 50m expatriates in south-east Asia who are believed to have $2,000bn in liquid assets ready to invest. None of the countries of central and eastern Europe have this kind of expatriate resource. Even the Japanese, with 100m people, are thought to have only $3,000bn in liquid assets.

Eventually large sectors of Chinese industry will be controlled by expatriate Chinese, says Mr Smith, forcing the government to open up investment possibilities in the state sector in order to modernise it while keeping a measure of control, and encourage investment from other nationalities. All of which means lots of work for lawyers – particularly those already there.

English hearing

Litigation between British Aerospace and Dee Howard of the US should be heard in an English court and not in America, the High Court has ruled.

Dee Howard is suing BAe for $50m in a Texas court for alleged failure to provide materials under a technical assistance agreement for the re-engining of BAC 1-11 aircraft. BAe is counterclaiming $6m in unpaid invoices and damages for breach of contract.

Mr Justice Waller ruled that the agreement between the companies contained an exclusive jurisdiction clause under English law. The judgment is considered by some lawyers as an important clarification of English law on exclusive and non-exclusive jurisdiction.

Untying the tangle of red tape

Excessive bureaucracy is an unnecessarily costly burden on companies and, say critics, it stifles enterprise. Charles Batchelor reports

It is seven years since the government set up a special deregulation unit to fight red tape. Yet an official review of the bureaucracy with which businesses have to deal has unearthed more than 6,000 pieces of legislation and 2,500 forms still in existence.

However assiduous government is in attempting to reduce bureaucracy, all its efforts are undone by the weight of new legislation. The 1980 edition of Butterworth's Company Law, a basic reference work for the legal profession, was just 486 pages thick.

By 1991 it ran to 3,544 pages, Neil Hamilton, corporate affairs minister, said last week at the launch of a new government campaign to reduce the burdens on business.

The cost to business of complying with regulations is similar to the defence budgets of many developed countries, Graham Bannock, a small firms consultant, calculates.

Nor is the burden equally spread. Small businesses employing fewer than 15 people spend the equivalent of 2.5 per cent of their turnover dealing with value added tax payments alone while companies employing up to 500 people devote just 0.07 per cent, Bannock says.

The owner of a small electrical contracting business employing two people who set out to master government regulations relating to his operations would have to read 26 booklets running to nearly 270,000 words, the Forum of Private Business calculated in 1984.

The forum has not repeated the exercise but believes that, if anything, the burden has grown heavier.

Most time is taken up in dealing with Customs & Excise, which administers VAT, and with the Inland Revenue which handles income tax. Business owners also have to deal with employment regulations, health and safety issues and local authority planning decisions.

European Community directives also now play an important part in the lives of many businesses.

The announcement last week of a renewed deregulation drive by government coincided with the launch by the Institute of Directors of its own campaign to reduce red tape. The IOD has been sniping at individual examples of excessive regulation over the past year but has decided to put its efforts on a more permanent basis.

Peter Morgan, director general, urged the government to deregulate in areas which would have an immediate impact on the economy and job-creation.

Action which could be taken without the need for legislation would be particularly useful, he said. But he warned against attempts to reduce costs to government by simply transferring the burden to business.

The government, for its part, expects to complete its review of business legislation within the next few weeks. Departments will then draw up a list of priorities for action to reduce the burden.

From next April they will carry out a rolling review of regulations to ensure that pressure is kept up to minimise their impact.

Hamilton will make monthly reports to John Major, the prime minister, on the performance of different ministries.

Officials will be expected to make use of risk assessment and management techniques and to carry out regular assessments of the compliance costs of new regulations.

A guide for officials and businessmen will be published before Christmas.

Government departments frequently underestimated the impact of regulations, Hamilton said. The Home Office had estimated the cost of new fire regulations at £1.7bn but the Association of District Surveyors had calculated the cost at £8bn.

Tell us of your experience

THE Growing Business Page will be highlighting over the next few months small- and medium-sized businesses which have experienced difficulties with excessive red tape. It will award a bottle of Laurent-Perrier pink champagne to each of the businesses featured. The owner-managers of independently run businesses are invited to write in – on no more than two sides of A4 please – describing their experiences.

Letters should be addressed to Charles Batchelor, Growing Business Correspondent, Financial Times, Number One, Southwark Bridge, London SE1 9HL.

Owners driven up the wall

One year on, Barry Staples, managing director of Staples Group, is still furious about the visits he had from officials from the Health and Safety Executive.

The first suggested that he paint the bare breeze blocks which made up the factory wall. More seriously, she noticed unguarded machinery which needed to be protected.

She then asked for a chance to talk to the workforce. Staples says he did not sit in on the meeting in the canteen but staff came out apparently fearful that the factory might be closed down. As the official was leaving she told Staples he was lucky that she was not marching him off to magistrates' court.

Incensed by what he felt was heavy-handed treatment Staples contacted his MP and also asked for a meeting with a more senior health and safety official. Far from improving matters, this visit enraged Staples further. A request for more advice on complying with the rules, Staples recalls, met with the response that the official's job was to ensure that the law was obeyed by prosecution and not by advice.

Staples says he took immediate action to guard the machinery but, less impressed with the need to paint the factory wall, he delayed the work until the next factory shutdown. These visits left him, he says, with some sympathy for companies which avoided the mass of regulation surrounding business by sub-contracting out their manufacturing to low-cost countries.

Ironically, Staples had only recently moved into manufacture. For the first 100 years of its existence it was a distribution and marketing company, supplying the clothing industry with a range of accessories including zips, elastics, labels and cutting room supplies.

Six years ago the Huddersfield-based company started manufacturing, buying a company making shoulder pads and establishing its own paper converting operation to produce the specialist papers required by the clothing industry. This shift of emphasis – manufacture now accounts for 60 per cent of turnover – brought the company into contact with a new set of regulations.

"You have to become an instant expert," says Staples who, with his brother, Robert, is the fourth generation of his family to run the business. "It is impossible for a company to be run legally. I have to know every UK regulation and European Community directive related to manufacturing otherwise I am guilty. You hear of companies giving up manufacturing because of the hassle."

If it were only a question of dealing with the health and safety rules the problem might not be so bad. But the complaint of Staples and many other businessmen is that while individual pieces of legislation might be manageable they have to deal with a welter of different regulations.

Staples is currently writing a new software programme to handle the changes to the VAT regulations which take effect on January 1 when the European single market comes into being.

He is 60 per cent through the writing of his software programme but says the new system make life difficult for business. He is unable to fill in Customs' Intrastat form, detailing his imports and exports, by pen but must type it in. He cannot use a standard computer printout but must put the data into a special format.

"It suits them but it doesn't suit business," comments Staples. "This is just one of the hundreds of things that we have to get right. "I work an 18-hour day and I have not had a completely free weekend for over a year. The effort is colossal and it is totally non-productive."

The administrative demands placed on a company with just two directors, one general manager and a workforce of 60 people are completely unreasonable, Staples believes. "We are still ahead of the game but I am having to leave it to my brother to run the business. When it comes to meeting regulations you can never argue that you cannot afford it."

● The Health and Safety Executive said that regulations requiring factory walls to be kept clean by being painted or whitewashed dated back to the Factories Act of 1961. Safety and conditions in factories and offices are governed by three separate pieces of legislation, aspects of which are being superseded by new European Community-inspired regulations which take effect next month. Inspectors provide advice where possible but sometimes encounter business owners who are either not interested in safety issues or are adversarial.

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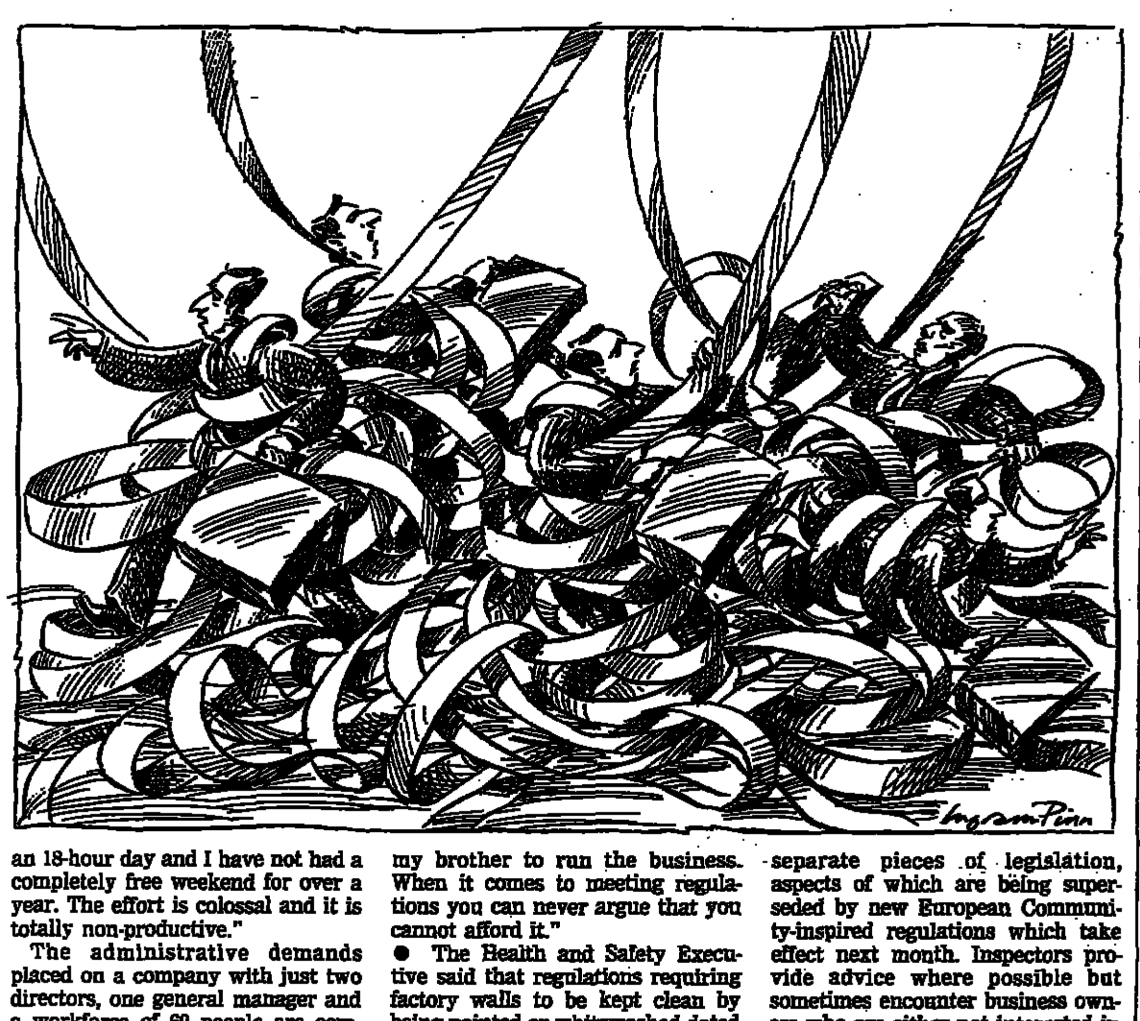

In a Nutshell

Fund of assistance for enterprise

A £300,000 low-interest rate fund to back small businesses in London has been launched by Greater London Enterprise, Midland Bank and the nine London Training and Enterprise Councils.

The London Business Growth Fund will provide unsecured loans of up to £10,000 over three years at a rate of 2 percentage points below base rate to established small firms. The fund will also provide loans of up to £5,000 to start-up businesses run by people with disabilities, members of ethnic minorities, women and the long-term unemployed.

This fund brings to 17 the number of local small business funds backed by Midland and the amount of finance available to £3.57m, much of it at rates below base rate. The selection and monitoring of businesses backed is carried out jointly by the bank and local business organisations such as Tecs or enterprise agencies.

Chambers to raise voices in Brussels

Eurochambres, the Brussels-based organisation which represents 1,200 chambers of commerce in 23 European countries, is taking steps to increase its effectiveness. In the past it has been short of funds and has frequently been overshadowed by the Brussels offices of the different national chamber organisations.

A new, three-strong management team has been appointed; member chamber organisations have been persuaded to double their subscriptions; and fresh thought has gone into its future role. The catalyst for the changes has been Sir Thomas Macpherson, a "company doctor," who became president a year ago.

Eurochambres plans to strengthen its policy teams to be able to lobby more effectively at the European Commission. It will also provide a valuable mouthpiece for national chambers which do not have a Brussels office, including the Association of British Chambers of Commerce.

Eurochambres, Rue Archimède 5, bte 4, 1040 Bruxelles, Belgium. Tel 010 322 231 0715.

In a Nutshell

Fund of assistance for enterprise

Chambers to raise voices in Brussels

OPPORTUNITIES

BUSINESS FOR SALE

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- 4 Retail Outlets in London
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- Developing business of department store concessions

Further information may be obtained from Peter Copp quoting ref: 7/PDC, at Stoy Hayward, 8 Baker Street, London W1M 1DA. Tel: 071-486 5888 Fax: 071-935 3944.

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REPEAT INVITATION TO TENDER FOR THE HIGHEST BID for the Purchase of the Groups of Assets of "GREEK OLIVE OIL SA", of Athens, Greece.

"ETHNIKI KEPHALEOU S.A. Administration of Assets and Liabilities" of 1, Skoulenion street, Athens, Greece, in its capacity as Liquidator of "GREEK OLIVE OIL SA" a company having its registered office in Athens, Greece (the "Company"), which is presently under the status of special liquidation according to the provisions of article 46a of Law 1892/1990.

announces a repeat call for tenders

for the highest bid by submission of sealed binding offers for the separate purchase by public auctions (the "Auctions") of one or more of the groups of assets of the Company, described below.

BRIEF INFORMATION ON THE COMPANY: The Company was engaged in the production and processing of kernel olive oil and soap. The operation of the Company has ceased since 1989 and no personnel is currently employed.

GROUPS OF ASSETS OFFERED FOR SALE (brief description)

1. Plant in Aigion (1st Auction) on a 50,068m² plot, consisting of: kernel olive oil facilities, soap manufacturing, distillation of fatty acids, kernel olive oil processing and refinery unit (de acet) steatin production and hydrogen production sections.
2. Kernel olive oil plant in Zakynthos (2nd Auction) on a 5,853m² plot (5,115m² inside and 738m² outside the town plan) and a 366m² plot near the plant (note: legal proceedings are pending in respect of a 491m² portion of the plot).
3. Kernel olive oil plant in Mytilini (3rd Auction), on a 5,195m² plot.

OFFERING MEMORANDUMS- FURTHER INFORMATION: Interested parties may obtain an Offering Memorandum for each of the above mentioned groups of assets and any further information, upon execution of a confidentiality agreement.

TERMS AND CONDITIONS OF THE AUCTIONS

1. The Auctions shall take place in accordance with the provisions of article 46a of Law 1892/1990, the terms and conditions set forth herein and the "Terms and Conditions of Sale" contained in the respective Offering Memorandum. Such provisions and other terms and conditions shall apply irrespective of whether they are mentioned herein or not. Submission of binding offers shall mean acceptance of such provisions and other terms and conditions.
2. Binding Offers: For the participation in each of the Auctions interested parties are hereby invited to submit binding offers, not later than the 11th January 1993, 11.00 hours a.m. to the Athens Notary Public Ioanna Gavrieli-Anagnostaki, address: 18, Fidiou str., Athens, tel: +30-1-362.51.91 or 361.97.28.
Offers should expressly state the offered price and the detailed terms of payment (in cash or in instalments, mentioning the number of instalments, the dates thereof and the proposed annual interest rate).
Binding offers submitted later than the prescribed time limit, as referred to hereinabove, shall neither be accepted nor considered. The offers shall be binding until the adjudication.
3. Letters of Guarantee: Binding offers must be accompanied by letters of guarantee, issued, in accordance with the draft form of letter of guarantee contained in the respective Offering Memorandums, by a bank legally operating in Greece to be valid until the adjudication. The amounts of the letters of guarantee must be as follows: (a) for the Plant in Aigion (1st Auction): drs. sixty million (60,000,000); (b) for the Kernel olive oil plant in Zakynthos (2nd Auction): drs. thirty five million (35,000,000); and (c) for the Kernel olive oil plant in Mytilini (3rd Auction): drs. ten million (10,000,000).
Letters of guarantee shall be returned after the adjudication. In the event of non-compliance with the provisions and other terms and conditions referred to in paragraph 1 hereof, the letters of guarantee shall be forfeited as a penalty.
4. Submission: Binding offers together with the letters of guarantee shall be submitted in sealed envelopes. Submissions shall be made in person or through a duly authorized agent.
5. Envelopes containing the binding offers shall be unsealed by the above mentioned Notary Public in her office, on the 11th January 1993, at 14.00 hours p.m. Any party having duly submitted a binding offer shall be entitled to attend and sign the deed attesting the unsealing of the binding offers.
6. As highest bidder shall be considered the participant whose offer will be judged, by 51% of the Company's creditors (the "Creditors"), in their absolute discretion, upon suggestion of the liquidator, to be in the best interests of all of the creditors of the Company. Mention is made that for the purposes of evaluating an offer proposed to be paid in instalments, the present value thereof shall be taken into account, which shall be calculated on the basis of a discount interest at an annual rate of 28% compounded quarterly or yearly.
7. The liquidator shall give written notice to the highest bidder to appear on the date and place mentioned therein and execute the contract of sale in accordance with the terms contained in his binding offer and/or any other improved terms which may be suggested by the Creditors and agreed upon. Adjudication shall be deemed to take effect upon execution of the contract of sale.
8. All costs and expenses of any nature in respect of the participation and the transfer of the assets offered hereby for sale shall be exclusively borne by the participants and the purchaser respectively.
9. The liquidator and the Creditors shall have no liability nor obligation whatsoever towards the participants in relation to the evaluation of the offers or the appointment of the highest bidder or any decision to repeat or cancel any of the Auctions or any decision whatsoever in connection with the proceedings and the making of the Auctions. The liquidator and the notary shall have no liability for any legal or actual defects of the assets. Submission of binding offers shall not create any right for adjudication nor the participants shall acquire any right, power or claim from this invitation and/or their participation in any of the Auctions against the liquidator and/or the Creditors for any reason whatsoever.
10. This invitation has been drafted in Greek and translated in English. In any event the Greek version shall prevail.

For obtaining the Offering Memorandum and for any further information please apply to the Liquidator of the Company: "ETHNIKI KEPHALEOU S.A. Administration of Assets and Liabilities", address: 1, Skoulenion Street, 105 61 Athens, Greece, tel.: +30-1-323.14.84, fax +30-1-321.79.05 (attn: Mr Peter P. Dracopoulos) or the Liquidator's agent: Mr Spyridon Roidis, address: 23, Polykliton Str., ATHENS 105 61, tel.: +30-1-324.05.72 or 321.88.20

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Croft Brothers (CV) Ltd.

The Joint Administrative Receivers offer for sale as a going concern, the business and assets of Croft Brothers (CV) Limited.

The company was established in 1978 and has traded as a dealer of AWD trucks (formerly Bedford) and Vauxhall passenger vehicles with full repair workshop facilities.

Salient features include:

- Annual turnover of some £1.2 million.
- Well equipped leasehold premises in Uxbridge.
- Established customer base.
- Complete MOT facilities.

For further information contact the Joint Administrative Receiver, Tony Thompson, KPMG Peat Marwick, Aquis Court, 31 Fishpool Street, St Albans, Hertfordshire AL3 4RF. Tel: 0727 43000. Fax: 0727 41005.

KPMG Corporate Recovery

BANK OF ATHENS

BANK OF ATHENS (FORMERLY TRADERS CREDIT BANK) INVITATION FOR DECLARATION OF INTEREST FOR THE COMPANY NAMED ATHENS PIPE WORKS S.A.

For reasons not depending on the liquidator's volition it was not possible for the BIDDING MEMORANDUM to be drawn up in time and delivered to the interested buyers.

In the light of the foregoing liquidator Bank of Athens (formerly Traders Credit Bank) in compliance with Article 14 (460) of Law 2000/91 invites all interested parties, whether they had declared their interest in the past or wish to declare it now, to submit within 20 days a non-binding DECLARATION OF INTEREST in purchasing the assets of ATHENS PIPE WORKS S.A., which has been placed under special liquidation in accordance the above law.

The interested parties will be able to receive the BIDDING MEMORANDUM after signing the relevant secrecy declaration.

THE COMPANY

The Company is basically engaged in the manufacture of welded steel pipes as follows:

a) Longitudinally welded steel pipes (1/2" - 10 3/4") for water supply, mechanical structures, line pipe casing and tubing (with API monogram), water pumping (ASTM) etc.

b) SPIRAL weld seam pipes (6 1/4"-80") and

c) Steel quick coupling pipes (diameter 70-150).

In addition it has two units for the production of enamelled bathtubes and radiators for central heating.

The Company's plant at Chalkis (Glyfa, Drossia), is built on a plot of land with a total area of 432,700 sq metres, and its enclosed space consists of five (5) independent large buildings and four (4) smaller ones and is 74,800 square metres in area.

The power of the mechanical equipment is 30,000 KW and total production capacity can attain 100,000-150,000 tonnes per annum depending on the product mix.

Further, the Company owns a plot of land located at Nea Efkarpia, Thessaloniki (49, Langada Street), which is 17,200 metres in area and the enclosed space is suitable for use as a warehouse (5, 143 square metres in area).

Interested parties may submit their written non-binding declaration of interest to the company's central office at 260, Piraeus St, Athens addressed to Mr DEM. VAINALIS, the liquidator's representative

(Tel. 4811.375- 4820.828

Fax 4810.171, Telex 21 2750 APWA).

DMB&B

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Family business established 1926, financial sound. Includes 4 acres of development land. Write to Box A4654, Financial Times, One Southwark Bridge, London SE1 9HL

LEADING TRAVEL SYSTEMS CO

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The Administrative Receivers offer for sale the business and assets of the above company

- Manufacturer and distributor of fashion accessories
- Blue Chip customer base
- Turnover over £2million
- In house design team
- Freehold property in Bedlington, Northumberland and leasehold property in St Helens, Lancashire

All enquires to Roger M Griffiths, Joint Administrative Receiver, Ernst & Young, Central Exchange Buildings, 93A Grey Street, Newcastle upon Tyne NE1 6EJ.

Telephone: 091-221 1222. Fax: 091-261 2916.

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MFG Date	1980	1981	1982	1982

Offers must be submitted not later than January 8th 1993 1400 local time and according to the terms and conditions which will be provided upon request from Olympic Airways / Technical Operations Department Mr E Kakoulidis Manager Materials Management Division on weekdays during working hours.

Tel: 9362225, Fax: 9812347, TLX: 210619 OAUT GR, SITA ATHPZOA

GREEK EXPORTS S.A. INVITATION

For expressions of interest in purchasing the assets of the Heating Equipment Industrial and Commercial S.A. (ABEETH).

In line with the Government's denationalisation policy and on the basis of Law 2000/1991, HELLENIC EXPORTS S.A., a subsidiary of the HELLENIC INDUSTRIAL DEVELOPMENT BANK S.A. (ETBA S.A.) based in Athens at 17 Panepistimiou Street, has been appointed liquidator by Decision No. 9338/26.11.1992 of the Athens Court of Appeals and intends to sell, by the procedure set out in article 46a of Law 1892/1990 as complemented by article 14 of Law 2000/91, the total assets of the HEATING EQUIPMENT INDUSTRIAL AND COMMERCIAL S.A. (ABEETH), based in Rizoupolis, Attica.

ABEETH was established by ETBA S.A. in 1988. ETBA S.A. is its sole shareholder. The object of ABEETH was to take over the activities of THERMIS S.A. which is under liquidation and is owned 88.156% by ETBA and 11.844% by private individuals. ABEETH is engaged in producing and selling cast iron boilers and steel heating radiators and selling heating and air conditioning equipment. Its products are sold under the recognised trade mark "THERMIS" which ABEETH is entitled to use. Its installations are on a rented space of 11,000 sq. metres at Rizoupolis, Attica.

FINANCIAL DATA (in thousand drachmas)

	1989 (from 15.9.89 to 31.12.89)	1990	1991
Total Assets	540,545	551,453	630,064
Total Sales	1,211,813	1,077,963	866,318

Note: The above financial data have been taken from published Balance Sheets.

DENATIONALISATION PROCEDURE

I. Within twenty (20) days of publication of the present invitation, interested buyers must submit a non-binding written expression of interest.

II. Prospective buyers, after having promised in writing to maintain confidentiality, can receive the Offering Memorandum and have access to other information concerning the business for sale.

III. The announcement of a public auction for the highest bid will be published within the prescribed time limits and in the same newspapers.

For any additional information please apply to:

a) The Head Office of ETBA S.A. (Shareholdings Dept.), 87 Syngrou Ave., 2nd Floor. Tel: 30-1-929.4395-6.

b) GREEK EXPORTS S.A., 17 Panepistimiou St. (1st Floor). Tel: 30-1-324.3111-115.

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- CNC and conventional machine capacity.
- Own products in spraying, hydraulic and garage equipment fields.
- Broad customer base covering several industries.
- Freehold property.
- Located in prime position near Birmingham Airport, National Exhibition Centre and motorways.
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For further information please contact Roger Brown or Kate Williams at the address below.

Colmore Gate, 2 Colmore Row, Birmingham B3 2BN.
Tel: 021 200 2211. Fax: 021 236 1513.

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A F Budge (Contractors) Ltd Retford, Nottinghamshire

Major UK contractor in the construction of roads and bridges.

- projected 1992 turnover in excess of £85m
- current order book circa £30m
- strong experienced management team
- approximately 185 employees.

A F Budge (Building) Ltd Birstall, Yorkshire

Builders and designers in the industrial, commercial and public sectors

- nationwide client base
- projected 1992 turnover greater than £34m
- current order book circa £21m
- strong experienced management team
- approximately 140 employees.

For further information please contact Jonathon Wockett or Ian Jones, Coopers & Lybrand Corporate Finance, 5 Albion Place, Leeds LS1 6JP quoting reference JRW/IMLJ/SMH302. Fax: (0532) 438260. Tel: (0532) 431343 (If telephoning please ask for the Budge Information Desk on Ext: 3273/3250)

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Recomac Limited

Astley, Manchester

The Joint Administrative Receivers offer for sale as a going concern the business and assets of the above company.

Principal features include:

- Specialist road surfacing company.
- Working for local authorities and large civil engineering construction companies throughout England, Scotland and Wales.
- Turnover: in excess of £3.5 million.
- Current contracts and orders in hand: approximately £400,000.

For further information contact the Joint Administrative Receivers, Philip Ramsbottom and Peter Terry, KPMG Peat Marwick, 7 Tib Lane, Manchester, M2 6DS. Tel: 061 832 4221. Fax: 061 832 7265. Telex: 668 265 PMMMAN G.

KPMG Corporate Recovery

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Notice is hereby given that following the transfer of the business of the above company to the Securities and Futures Authority Limited, the above company is being wound up voluntarily. Notice is hereby given that creditors of the above company are required on or before 5 February 1993, to send their names and addresses and the particulars of their debts or claims, and the names and addresses of their solicitors to D. Kossoff or A. Wilkinson of Clifford Chance, 200 Aldersgate Street, London EC1A 4JJ, Liquidators of the company and if so required by notice in writing from the Liquidators are, personally or by their solicitors to come in and prove their said debts or claims at such time and place as shall be specified in such notices or in default thereof they will be excluded from the benefit of any distribution made before such debts are proved.

D. Kossoff, A. Wilkinson Liquidators

SANDFORD GLAZING LIMITED

The Joint Administrative Receivers offer for sale the business and assets of Sandford Glazing Limited, the largest contract glazing company in the North West.

Principal features are:

- 28,000 sq. ft. freehold factory in Leigh, Lancs.
- Annual turnover circa £2.5m.
- Manufacturing capability for UPVC and aluminium frames.
- Good order book with leading housebuilders for sealed double glazing units and patio doors.
- Retail outlet in Lymm, Cheshire.

For further details, contact either :-

Stephen Quinn or Anthony Hayton, BDO Binder Hamlyn, Scottish Provident House, 52 Brown Street, Manchester, M2 2AU.
Tel: 061 831 7121
Fax: 061 833 0669

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Ups and downs of downsizing

Emotions are running high as the computer industry debates whether to phase out expensive mainframes in favour of less cumbersome units, writes **Alan Cane**

Anyone in the computer business seeking a quiet life would be well advised to avoid the complex topic of downsizing - the practice of replacing expensive mainframe computer systems with networks of smaller, cheaper computers. It can provoke strong emotions.

One of its strongest advocates is William Connor, director of information technology for the general systems sector of Motorola, the US electronics company.

Connor and other proponents of downsizing usually point to two main goals. The first is to achieve a new responsiveness to business needs.

Much business software is delivered too late to take advantage of market opportunities.

The second is to cut costs. A study by Hoskyns, the UK-based computing services company, indicates that most organisations downsize for cost reasons, although claim to be seeking enhanced performance. Cost containment is, according to a Price Waterhouse survey, still top of a data processing manager's priority list.

Motorola moved its applications from IBM mainframes to its own make of distributed, multiuser Unix-based microcomputers. According to Connor, the purchase of packaged application software suited to Unix and the use of computer-based development tools cuts software development times by two thirds.

All his computing and telecommunications costs amount to 1.4 per cent of revenues, compared with more than 3 per cent for similar companies: "We are running at less than half the average of these companies. That translates to a saving of more than \$40m (£26m) a year. That is \$40m of cost avoidance which can finance further reduction of selling prices, increased research and development and profitability to the corporation."

Motorola wants to eliminate all mainframe processing. With improved system administration and network management, Connor believes the cost of management information systems can be reduced to less than 1 per cent of sales by the end of 1993.

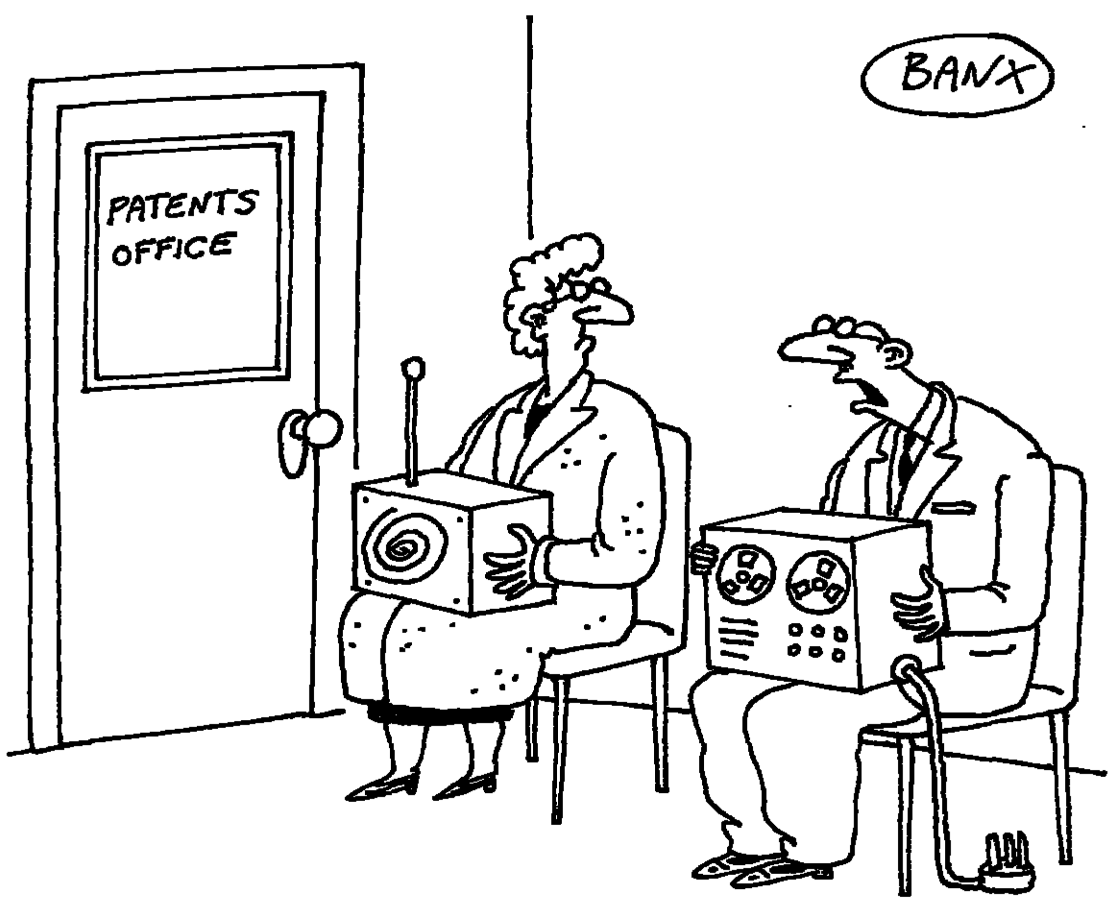
Motorola seems to demonstrate convincing proof of the efficacy of downsizing. The logic in its favour is impressive. Mainframe computers are undoubtedly expensive. By one, albeit imperfect, measure of performance - millions of instructions per second (mips) - they are vastly more expensive than workstations or personal computers. A larger mainframe costs about £50,000 for a large mainframe compared with less than £500 per mips for a personal computer.

Mainframes also have to be housed in a data centre and fed electricity and chilled water, not to mention expensive operating and applications software.

On this page last month, however, Peter Slavid, corporate systems manager for ICL, expressed a somewhat iconoclastic view when he said that by 2000 there would be a strong trend towards upsizing - using a central mainframe to process data held on a central database.

"Any downsized organisation looking for cost-effective solutions will undoubtedly have to extract data from expensive personal computer and Unix systems and dump it onto a parallel database server where it can be managed efficiently and cheaply. I would challenge anyone to dispute this point," he wrote.

Slavid, whose job it is to sell mainframes, obviously has a commercial axe to grind. The fact remains, however, that the jury appears still to be out on the cost savings from downsizing. The Hoskyns study - involving more than 270 interviews with executives with responsibility for information technology - concluded: "Despite the general perception that downsizing is the path to cost effective IT, more than one-third of respondents were unable to quantify the cost savings associated with migration and conversions. For those that could quantify costs, some saved millions of pounds while others had actually incurred additional costs." Xephon, the UK-based IT consultancy takes an extreme position: "Far from being obsolete, mainframes currently offer the most cost effective computing facilities for all but the smallest organisations - and will continue to do so for the foreseeable future."



" I'VE INVENTED THE PERSONAL MAINFRAME."

Xephon supports its claim with a series of calculations on the cost of hardware, including terminals, printers and other peripherals; the cost of applications software; and the cost of operating the system.

To illustrate this, it uses as examples a pair of IBM mainframe configurations supporting several thousand users, comparing the cost of these systems with a group of proprietary and Unix-based midrange systems from IBM, DEC and Hewlett Packard and a selection of personal computers, including the cost of printers and networking hardware and software.

Xephon calculated basic hardware and software costs over five years for these systems (excluding finance costs and ignoring inflation) and decided the cost per end user was £1,545 to £2,236 for mainframes, £1,806 to £2,286 for proprietary midrange machines, £1,680 to £2,240 for Unix systems and £2,900 to £9,000 for PCs running on a local area network.

But mainframes and midrange systems take up floor space and may have special environmental requirements. That takes the cost of mainframes per user up to £2,473 to £3,170, with smaller increases for the midrange machines. PC network costs were not affected.

Finally, Xephon added the cost of applications software, the cost of specialist support to help out when users are unable to help themselves, and the cost of employees' time wasted because small systems respond more slowly than mainframes. The result was striking. Mainframes cost between £5,282 and £5,973 per user, proprietary midrange systems £7,306 and £7786, Unix systems £7,180 to £7,740 and networked personal computers, £9,400 to £15,500.

It is possible to take issue with the assumptions Xephon has made in arriving at these figures. What is not in question is that downsizing involves costs that are neither obvious or negligible and are frequently ignored in making the case for downsizing.

Input, the US-based consultancy, says the proper justification for downsizing must be directly related to the contribution that a new information architecture can make to business objectives.

In other words, beware of fashion, a curse of the data processing business. Slavid may yet be proved right.

Technically Speaking

Research faces uncertain future

By Clive Cookson

Tensions behind the scenes over the UK government's forthcoming Science and Technology White Paper erupted in public as the deadline for submissions passed last week. Dai Rees, Medical Research Council secretary, made an astonishing attack on the "amazing and appalling" proposals put forward by the government-appointed Advisory Council on Science and Technology.

Acost advocates abolishing the five research councils that distribute about £1bn a year in grants and contracts.

Instead, it wants the government to set up one agency to support "curiosity driven research" and another to fund "mission oriented research".

Acost - whose members include industrialists and academic researchers - also proposes to privatise the research councils' units and institutes.

Rees told a press conference the Acost proposals were "naive and wrongly founded, and far from the best interests of the nation. "We regard the integration of basic and clinical work as absolutely vital to our mission," he said.

Rees warned that privatised research units "will need to employ armies of administrators, PR people and marketing experts to ensure that they can survive."

Acost's scheme would mean providers of basic research would compete for funds in a free market. Such an approach might appeal to the present government, but it would be extremely damaging to the long term continuity of Britain's world-class scientific teams.

Some distinguished members of Acost, including Sir Michael Atiyah, president of the Royal Society, have quietly dissociated themselves from its proposals.

But Rees rightly felt he had to speak out because "Acost was constituted to give scientific advice to the prime minister, so anything it says may be taken seriously."

The Acost submission is one of 520 documents received during the government's White Paper consultation period.

"All the views expressed will be taken on board and fed into our thinking," said William Waldegrave, the minister responsible for science.

However, he and Bill Stewart, chief scientific adviser in the Cabinet Office, will find it extremely hard to draw together common threads from so many contradictory and inevitably self-interested views.

They would waste an opportunity if they did not consider making radical changes, since this is the government's first fundamental review of science and technology since the 1971 Rothschild report.

But the area crying out for far-reaching reform is not basic research - the research councils are doing a reasonable job, though there is scope for some reorganisation.

What needs to change is the way the government funds and conducts industrial and applied R&D.

The Office of Science and Technology, which John Major set up after the General Election as part of the Cabinet Office, is directly responsible only for basic research. It should be given new powers to co-ordinate R&D across the whole government, in collaboration with industry.

The Ministry of Defence and the Department of Trade and Industry, in particular, carry out important R&D programmes that seem often to lose out in the internal competition for departmental funds.

The MoD spends hundreds of millions of pounds a year supporting technologies such as advanced materials, electronics and computing, which must be protected from the run-down in military spending and redirected towards civil industry.

The challenge Waldegrave faces is convincing his cabinet colleagues to surrender some control over their departmental R&D, to give Britain its first co-ordinated national policy for science and technology.

PEOPLE

Triplex Lloyd promotes finance director

Triplex Lloyd, the West Midlands engineering group which today announces its results for the half year to end-September, is promoting 36-year-old finance director John Foley (left) to the new position of group managing director under Colin Cooke, who remains executive chairman.

Cooke had stepped into the breach as both executive chairman and chief executive when Jim Dael died suddenly in July of last year at the age of 46. Cooke had previously been non-executive deputy chairman, with a number of outside directorships after a career at RTZ, Hepworth, GKN and Duport.

Foley, the youngest member of the board, says the move comes "because the rest of the board think I am ready for it". He adds that he is not aware there were any other internal or external candidates for the position.

Triplex is viewed as having steered a relatively successful course through the recession with the recent growth of the business focused in the automotive and power divisions, rather than the building products division.

Foley has been finance director for the past three years. He had joined from Foseco, where he had latterly been director of corporate finance. A trained barrister, who says he did not continue in the law because he could not afford to at the time, he trained as a chartered accountant with Price Waterhouse.

Non-executive directors

■ Michael Hamilton, Graham McCallum, Douglas McDougall and Graham Veitch at PACIFIC HORIZON INVESTMENT TRUST; Kevin Kenny has resigned as a director.

■ David Gration, executive chairman of Colgate Medical, at PROTEUS INTERNATIONAL.

■ Gordon Dunlop has retired from HI-TEC SPORTS.

■ John Browne, chief executive officer of BP Exploration, at REDLAND.

■ Paul Douglas, former chairman and ceo of The Pittston Company, Edward Palmer, formerly a director of Citicorp and Citibank, and David Wallace, chairman of National Securities and Research Corporation, at HOLMES PROTECTION.

■ Robert Carlton-Porter at EBC Group.

■ Lord Parkinson of Carnforth as chairman of USBORNE; Derek Sawyer is retiring.

■ Tony O'Brien, group md of Cantrell & Cochrane Group, president of the Federation of Irish Employers and a member of the national executive of the Confederation of Irish Industry, at CRH.

■ Alan Garnett, group chief executive of Tudor Webasto, at ULTRA GROUP.

■ Sir Raymond Lygo, chairman of TNT Express (UK), as chairman also of TNT Europe and a director of the supervisory board of GD Express Worldwide NV.

■ Simon Miller, chairman of Ferrum Holdings, at ADAM & COMPANY GROUP.

■ Jim McColgan, recently retired group md of Blue Circle Industries, at MARSHALLS.

■ John Lamble, formerly chief executive of the National Roads and Motorists' Association of New South Wales, at RAC INSURANCE BROKERS.

■ Geoffrey Lomer (below), recently retired technical director of Racal Electronics and a vice-president of the Institution of Electrical Engineers, at VODAFONE GROUP.

Daks departure

Harry Kuiper, a director of Daks Simpson, the clothing manufacturer and retailer, has resigned from the company after 19 years for "personal reasons".

Kuiper, 55, was managing director of production at Daks' Larkhall factory in Scotland, and joined the board in 1981.

Daks says it does not know Kuiper's plans. His resignation was "quite unconnected" with other departures this year, including that of Johnny Mengers, the pony-tailed chief executive who had been with the company for 40 years.

There was speculation that Mengers' departure resulted from friction between him and Sankyo Seiko. But the company insisted that the new Japanese owner had honoured its promise to preserve the management's autonomy.

■ Barry Kergon, 46, former world sales director for Whyte & Mackay, the US-owned Scotch whisky and Vladivar vodka distiller, is to head the group's restructured sales and marketing operational division.

Stewart McBride, 39, continues as EC and international sales director; Vic Skelton, 42, becomes marketing director; Alan Thomson, 34, will be responsible for EC sales; and Steve Thomson, 33, is promoted to the new post of commercial director.

Charles Shaw, 41, assumes the new title of group marketing and corporate development director. Alastair McIntosh, 51, md of William Muir, the group's blending and bottling subsidiary, and Brian Megson, 38, former divisional director of operational planning, will join the group board.

'A very good fit', to coin a phrase

Roger Holmes is not prepared to venture a comment on what he thinks of the new 10p coin. "I have to learn more about the options, about what goes into making coins."

No numismatist himself, the new deputy master and chief executive of the Royal Mint who left the board of Chloride in the summer, reckons the job is "a very good fit" given his own mixture of private and public sector experience.

The Royal Mint, which boasts a 1,100 year history of producing coinage, and which is now an executive agency in the context of the Next Steps initiative, is a significant international business, last financial year turning over £88m (£60.4m of which was in export sales) and recording profits of £11m.

Master of the Royal Mint is the chancellor of the exchequer, but this is an *ex officio* position, so that deputy-master is both the chief executive and effectively the chairman of the board of directors. Holmes, who takes over at the beginning of next year, succeeds Tony Garrett, 64, who was the first deputy master to be appointed from the private sector.

Holmes' career began at the Board of Trade/DTI, where he rose to the position of assistant secretary. In 1980, he was seconded to British Leyland, from where he followed Sir Michael Edwardes to Mercury International.

He then "took the plunge", as he puts it, into the private sector, in 1984, joining ICL, again following in Sir Michael's footsteps.

He spent six months at Dunlop before it was swallowed by BTR and has been on the board of Chloride for the past six years. Corporate operations director for the second half of his stint, he was responsible for the overseas battery business in Asia and Africa, and had all central functions, apart from finance, reporting to him.

On completion of the large-scale divestment programme aimed at repairing the battered Chloride balance sheet, he left in the summer - having worked himself out of a job, he says - a few months after Keith Hodgkinson, who was recruited from GEC, was made chief executive.

Pictures worth picking up

Autolycus, "picker-up of unconsidered trifles", we know as the rogue and pedlar of *The Winter's Tale*, which brings me to a seasonal swag-bagful, not of trifles exactly, but of current offerings that otherwise might well pass unnoticed and well worth picking-up.

Glen Baxter is that not uncommon type, the naturally funny man who would be taken seriously, the fool or Jaques, mordant, ironical, but funny nonetheless. Fortunately for us, he has abandoned previous attempts at overt seriousness, and reverted to being as funny as ever with his surreal confection of schoolboy-schoolgirl heroics, camp cowboys and art-aesthetical jokes, and all worked up in idiosyncratic pastiche of the juvenile illustration of the 1930s. It is for us to work out whether the results are art or not.

But what else are we to make of these "Further Blandishments", as he calls them? A "Big Bertha" cannon looms over the landscape: "He was known not to take kindly to trespassers" runs the caption. A cowboy comes galloping down the Long Gallery, along with the information that "Hank's tour of the Louvre was usually completed in slightly under 18 minutes." "The night before the big match, Billy liked to put in a little extra practice," by kicking anvils into goal. Quite where all this will lead him, who can say, but as conceptual art, Baxter's special variety certainly has popular appeal.

It is a recurrent theme that our London view of Scottish painting is arbitrary and limited, but it must also be said that the Mercury Gallery has always done its best to repair the deficiency. David Michie, a long-time regular, now reappears after six years with as strong a show as any he has had. Until lately head of painting at the Edinburgh College of Art, he must have seen too many younger, lesser Scottish talents pass on to wider success and recognition, but I doubt that worries him too much. His subject, meanwhile, remains the intimate landscape of garden border and flower-bed, and the more introspective, enclosed world of the garden pond, with its darting ornamental fish, glancing surfaces and ambiguously redoubled spaces. These he paints with a deceptive fauvist directness and simplicity, and a Matisse-like purity of colour. Yet there is nothing brash nor "see here" about them; but rather a quiet modesty and self-effacement that slowly draws the viewer to them. They are as good as anything being done of their kind.

David Parfitt's present subject is the landscape of Crete and Macedonia, worked on paper, sometimes in oil but mostly in water-colour. There is no greater absurdity in art than the conventional hierarchy of the media that puts oil before water-colour and canvas before paper. It is what the artist does with his chosen and appropriate medium that matters, and here Parfitt shows us large and truly substantial paintings, that are as they are because they are in water-colour.

The handful of oil paintings confirm the point, not by any qualitative distinction but by the simple fact of technical difference – neither better nor worse, but different. Where the one sort is light and shimmering on the surface, the other is dense and opaque, the mood now fresh, now heavier. Parfitt has a particular gift for the description of architecture, not as an exercise in close inspection, but generally and collectively: the cluster of houses set among the trees, the village street at a distance in the sun-lit valley below.

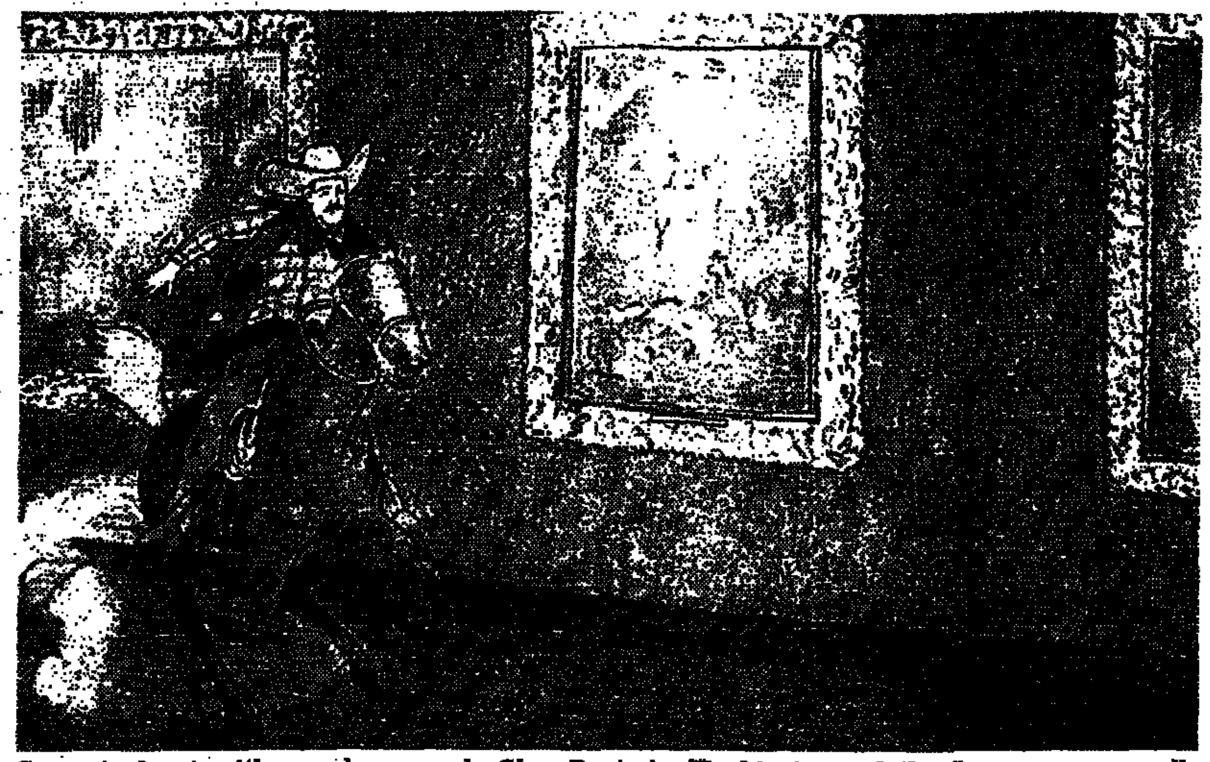
Terry Lee is another painter of landscape, and also of the studio interior and still-life. Here I must declare my interest, for this show came of my suggestion and my support is therefore implicit. He, too, is seen too seldom in London. He is a romantic, idealising the landscape, whether at home in Derbyshire or in Spain. All is apparently straight-forward: flower in pot, bird in cage, artist in studio, landscape at a distance, all properly established in its particular space; yet all is subtle and complex. The spaces shift and alter; the curtains become landscape; the mirror leads into another world.

Stan Smith and Geoffrey Humphries, showing together, afford a strong but sympathetic contrast. Both work from the life-model, but where Humphries stays close to the character and form of the particular model, Smith is more apt to generalise, the light filtering through the blinds to fall in descriptive stripes across the figure. Humphries also shows a number of studies of Venice, not the hackneyed tourist views, but rather the more personal and intimate face of the city in which he has lived and worked for nearly 30 years.

A group of his larger life drawings is featured in the mixed exhibition at Collyer-Bristow, in which Smith also shows. And there is W.H.Patterson's annual Christmas Show, which, like any such exercise, would hardly hope to satisfy every taste, leaving it very much to the visitor to take his pick. The New English Art Club supplies the substantial core, supplemented by invited outsiders. I noticed some small landscapes by Julian Halsby, Victor Willis and Edward Fairfax-Lucy, Susan Ryder's interiors, the large pastel conversation pieces by Tom Coates, and, in particular, the small, authoritative landscapes by Colin Hayes.

William Packer

Glen Baxter: Thomas Gibson Fine Art, 44 Old Bond Street W1, until Jan 22; David Michie: Mercury Gallery, 26 Cork Street W1, (Dec 2); David Parfitt: Michael Simpson, 11 Savile Row W1, (Dec 18); Terry Lee: Wildenstein, 147 New Bond Street W1, (Dec 2); Stan Smith & Geoffrey Humphries: The Tall House, 134 Southwark Street SE1, (Jan 22); Christmas Exhibition: W.H.Patterson, 19 Albemarle Street W1, (Dec 31); Winter Exhibition: Collyer-Bristow, 4 Bedford Row WC1.



Conceptual art with popular appeal: Glen Baxter's 'Hank's tour of the Louvre was usually completed in slightly under eighteen minutes' at Thomas Gibson Fine Art

Opera in Italy/**William Weaver**

Troubled 'Don Carlo' at La Scala

Though the performance of Verdi's *Don Carlo* (the Italian, 4-act version) that opened the season of La Scala was not televised, Luciano Pavarotti's cracked note in the second scene hit all the news broadcasts and kindled an inflagration of gossip, angry declarations, and, from the tenor himself, an apology and an admission that he had insufficiently prepared for this new role.

He also promised that there would be no botched notes on the second night. He kept his promise; but he still did not seem in command of the character. He was simply a tenor going through his paces competently, with little feeling or psychological understanding.

"Pavarotti protagonista", the headlines yelled in the preliminary articles puffing the production; but though Carlo has the title role, he is not the protagonist. This is a grand opera whose drama is chiefly private; the excitement lies not in spectacular events so much as in the personal tensions, the alternation of suspicion and trust, condemnation and forgiveness, ardour and renunciation.

Few of these inner conflicts were revealed in the Scala execution, but the fault was not entirely Pavarotti's. As the dreaded "loggionisti," the bellowing galleryites emphasised in their raucous opening-night protests, the casting was peculiar: if Pavarotti is no Carlos, then the otherwise charming Daniela Dessi is a perilously light Elisabetta, and Luciana D'Intino is more a Rossinian mezzo than a Verdian (her "veil song," however, had a welcome lightness and a gaiety absent in Riccardo Muti's hectic conducting of the scene).

A few years ago, in a Bologna *Don Carlo*, the young baritone Paolo Coni was a revelation as Rodrigo; critics immediately underlined his name in their programmes. Since then, Coni has appeared on both sides of the Atlantic, but sadly, in this short period, the warm, lyric voice has deteriorated: the top notes have become rough and unsteady, pitch is often uncertain, and Coni tends now to bluster.

Blame for the inadequacy of many of the singers was laid squarely at Muti's door

Only Samuel Ramey – La Scala's Filippo – sang with confidence, accuracy and a sense of his part. It is hard to find the youthful, athletic American bass credible as an aged monarch; Ramey was an unusually physical Filippo, and when he grasped Elisabetta in their great confrontation, there was a strong sense of sexual frustration in his rage. This was not an interpretation in the Pasero, Rossi Lemeni, Christoff tradition, but it was a three-dimensional creation. And Ramey's was the only really compelling performance.

Blame for the inadequacy of so many of the singers was laid squarely at Muti's door, but the conductor had an even graver responsibility. Unlike his usual triumphs, at La Scala and elsewhere, Muti's *Don Carlo* lacked an over-all architecture. Needless to say, there were brilliant scenes (the auto-da-fe' especially) and there were moments of heart-rending emotion (the death of Rodrigo); but much of the time the performance was a patchwork: the fountain scene opened dully, the final tenor-soprano duet was drawn out until it sagged and became shapeless.

Franco Zeffirelli's production, while cluttered and bustling, was also lacklustre. Even the crowd scenes were perfunctory: extras only half-pretended to be an unruly mob of onlookers were intermittently held back by guards in a cordon with gaps wide enough for an army to pass through; a pair of breech-clouted heretics struck choreographed poses, a cramped procession preceded the King's oddly tame coronation appearance (no solemn throwing open of doors, since the producer eliminated the doors, as he eliminated later the tomb of Charles V).

The solo singers were also left to their own devices (comically, the Grand Inquisitor, despite his elaborate show of blindness, managed to descend some steps, unaided, and address much of his music straight at the audience from the footlights. Pavarotti's immobility obviously creates its own set of problems; keeping the other singers usually at a distance from him only underlines the lack of dramatic cohesion in the whole, undistinguished execution.

German Theatre/**Jackie Wullschlager**

Key political dramas on the post-war stage

The warnings are strident, unmistakable, and up-to-date. Everyone has his price, and anyone, by refusing to face the truth, can let an evil regime like Hitler's spring up under his nose. For nearly 40 years, Friedrich Durrenmatt's *The Visit* (1956) and Max Frisch's *The Fireraiser* (1958), have reigned unchallenged as the key political dramas on Germany's post-war stage. Now, in the country's greatest turmoil since the war, they have acquired a new, mythic currency, and are among the most popular modern works in the repertory. Both are short, devastatingly simple parable plays which bowl you over the first time but hold no later subtleties. I caught two new versions, in Dusseldorf and Berlin, which stand as the best of straight, hard-hitting theatre: strong acting, hypnotically intense setting, comic diversity.

In *The Fireraiser* (*"Biedermann und die Brandstifter"*), two terrorists infiltrate the home of rich business-man Biedermann and stack petrol in the roof to blow him up. Biedermann ("honest man") pretends not to see what is happening and relies on good-natured civility to keep menace at bay. He invites the fireraisers to dinner, offers nervous friendship, and at last hands them the matches to light the fire.

On a tiny stage in Dusseldorf, Peter Arens plays it as theatre of the absurd with a heart. Eckart Dux's Biedermann, floppy grey hair, cardigan and specs, is *par excellence* the bourgeois liberal secure at home. "I'm a free man, I can think what I want," he explodes to a suspicious fireman as petrol cans, wires, fuses, proliferate round his *gemütlich* house.

The fireraisers, Ulrich von Bock a smooth entrepreneur, Claus Stahnke a skinhead in punk gear, are 1990s types who could fit into any race riot recently on German television screens. They are a comic duo – one gives a Nazi salute, the other slaps him down with an apologetic laugh. The ease with which these boors play at civilised living – admiring the Beaujolais while gulping mustard neat from the jar – threatens the core of Biedermann's cosy worldview.

Dux and his wife (Margit Ensinger), a loving but weak couple, tread with comic genius the line between paranoia and a self-deceiving attempt at normality. When the fireraisers put on a post-prandial performance of *Everyman* she reassures herself by recalling the Salzburg Festival. Then they stand clasped, knowing their doom, as the chorus "Everyman" changes to "Biedermann". For all the absurdity, a lyric finale, recited by a fireman while giant statues of fireman glow all round the auditorium, is almost unbearably moving.

In *The Visit* (*"Der Besuch der alten Dame"*), the shopkeeper Herr Ill is Everyman. To his little town of Gullen, a poverty-stricken place with a railway station in central Europe, returns his former lover, now a rich old lady. Years back, he got her pregnant and rejected her. Now she offers his fellow citizens a thousand million marks for their town as the price of his head.

We, and Ill, know that he will die, and in Berlin Ekkehard Schall gives a performance at once passionate and measured. His Ill, first a frightened wretch who trembles, paces up and down his shop in frenzy shouting, by the end acquires dignity as a tragic hero, resigned and low-spoken. As the creepy old lady, Anneliese Romer becomes less and less dignified, although she too has her moment of poignancy. She tells her roving lover that she has a tomb ready for him at her palace in Capri: "There you will stay. With me."

The Schiller Theatre shoots the fable through with psychological interest, but mostly, with its flair for dramatic design, goes for symbolic staging. Romer is now in a black robe, harbinger of death, now in a white gown, eternal bride. As she endows the town, the grey-green pallor of a bleak set yields to richer colours. Alfred Kirchner directs at a fierce pace, and throughout the contemporary resonance sounds: is the new united Germany selling ethics for material security? Two evenings as compelling as any in the theatre this year. And if art reflects life, this piece and *The Fireraisers* show a Germany obsessed with itself, its history and its moral and political future.

The Fireraisers, Dusseldorf Kammerspiele. The Visit, in rep at the Schlosspark Theatre, Berlin

Scene from 'The Fireraisers' in Dusseldorf

New York Philharmonic 150th anniversary concert

The New York Philharmonic – the oldest orchestra in the western hemisphere – made its first noise on December 7 1842 when the gloriously named Ureli Corelli Hill raised his baton over a group of largely German immigrants to launch them into Beethoven's Fifth Symphony.

Right through this season the Philharmonic is remembering its sesquicentenary, notably with a stream of first performances that has already brought us Messiaen's final pictures of paradise, "Eclairs sur l'au-delà..." But on the anniversary itself we were invited to celebrate the recent past and the present rather than to glimpse the future.

In a hall swagged with gauze and tinsel, all three of the orchestra's surviving music directors were on the podium – in turn, to be sure – to conduct what was necessarily an oddly mixed concert, and one that could not quite hit the note of festivity determinedly expected of it.

The best playing came at the start, in an addition to the scheduled programme, when the orchestra, unconducted, turned back with high pride to remember a fourth of its chiefs: Leonard Bernstein. His *Candide* overture went with supreme panache, and if the speed was not quite his dizzying own, the performance was an astonishing feat of ensemble playing, as well as a revel of opéra bouffe fizz, fanfare and, in the answering strains of the middle section, expressive ardour in a Jewish mode.

The obvious conclusion was that this orchestra barely needs a conductor. The second conclusion was that Bernstein remains, more than 30 years after he relinquished the part, a tough act to follow. Never mind that Zubin Mehta was – as we were reminded by the chairman, Stephen Stamas – music director for a longer period, having charge of the orchestra from the end of the Boulez regime (1971-7) until the arrival of Kurt Masur last year. Bernstein's association with the Philharmonic covered a full quarter-century, and his legacy – of recordings, of programming policy, of memories – is still potent.

In contrast, it is as if the Boulez years had never been. All his innovations – the commitment to music as intellectual adventure, the "Prospective Encounters" that took the orchestra downtown to play Steve Reich, the "rug concerts" that imitated the informality of the Proms – were abandoned under his successor, and a sense of missed opportunity underlay his performance of *La mer* on this occasion. In its own way it was a rather remarkable turning over of the piece's grim inheritances: a low-string ostinato in the first movement, for instance, remembered Nibelheim. And the lack of buoyancy in the middle movement was astonishing, given Boulez's admiration, often voiced in word and as in deed, for its allusive continuity.

The Boulez moment of dimmed glory was preceded by Mehta's display of showmanship in *Till Eulenspiegel* (a nice touch to tuck his hands quickly behind his back so that the players were left to give the last downbeat on their own), and followed by Masur in the "New World" Symphony, one of the oldest jewels in the Philharmonic's crown of commissions. No doubt they have played it better at other times (straitened violin sound in the upper register remains a problem, especially in Masur performances), but surely never more forcefully.

Masur's efforts to drive the first movement into sounding like a proper Germanic sonata allegro, with a strenuous first subject and a momentous development, made it seem that Dvorak was falling short in something he never attempted. Everybody got on much better when the energy was less fierce, in the slow movement and, most beautiful of all, the trio of the scherzo, where Masur showed what delicious effects he and his wind players can produce. There at least were the seeds of hope.

Paul Griffiths

INTERNATIONAL ARTS GUIDE

AMSTERDAM

CONCERTS
Concertgebouw Tonight in main hall: Rene Jacobs conducts Monteverdi's Vespers.
Tonight in **Kleine Zaal:** Marjana Lipovsek song recital. Tomorrow, Thurs, Sun afternoon: Wolfgang Sawallisch conducts Royal Concertgebouw Orchestra in Beethoven's Eighth and Ninth Symphonies.
Fri: Bernard Haitink conducts Rotterdam Philharmonic Orchestra in works by Stravinsky and Tchaikovsky.
Sat afternoon: Valery Gergiev conducts Radio Philharmonic Orchestra. Sun evening: Bach's Christmas Oratorio (6718 345)
OPERA/DANCE
Muziektheater Pierre Audi's new Netherlands Opera production of La boheme, conducted by Hartmut Haenchen, can be seen tonight, Fri, next Mon, also Dec 23, 26, 29.
Tomorrow, Thurs, Sat, Sun afternoon (plus seven further performances till Dec 30): Dutch National Ballet's Stravinsky programme, including choreographies by Balanchine and Nijinska (6255 455)

BRUSSELS

Palais des Beaux Arts 20.00 Talich Quartet, with Josef Suk, plays chamber music by Mozart, Janacek and Brahms. Thurs: Jose van Dam sings Winterreise. Next Mon: Sylvia Traey piano recital. Next Tues: Belgian National Orchestra plays Mozart. Dec 31: Beethoven's Ninth Symphony (507 8200)
Monnaie 19.00 Heinrich Schiff conducts Karl-Ernst and Ursel Herrmann's production of Die Zauberflöte, repeated Dec 18, 20, 22, 25, 27, 29 (219 6341). Dec 22-31 in **Théâtre National:** Opera de Lyon production of Ravel's L'enfant et les sortileges (217 0303)

CHICAGO

CHICAGO SYMPHONY
This is the final week of Pierre Boulez's month-long residency at **Orchestra Hall**. In tonight's programme, Boulez conducts Bartok's Four Pieces, Prokofiev's Fifth Piano Concerto and Stravinsky's complete Firebird. Thurs, Fri, Sat: all-Stravinsky programme, including The Rite of Spring (435 6666)
CHICAGO LYRIC OPERA
This month's repertory at **Civic Opera House** consists of Un ballo in maschera and La boheme. The Puccini (tonight, Fri, Sun afternoon and Dec 30) has a cast led by Lucia Mazzaria and Giuseppe Sabbatini. The Verdi (final performances tomorrow and Sat) features Sharon Sweet, Kristian Johansson and Vladimir Chernov (332 2244)

MUNICH

Prinzregententheater 20.00 Georges Pretre conducts Bavarian State Orchestra in works by Dvorak, Bizet and Ravel.
Thurs, Sat and next Tues: Fabio Luisi conducts members of the Bavarian State Opera in extracts from Rossini operas.
Dec 20, 23, 26, 27, 29: concert performances of Hansel and Gretel.
Dec 25 and 28: Carmen (221316)
Philharmonie 20.00 Cristian Mandael conducts Munich Philharmonic Orchestra in works by Weber, Bruch and Schoenberg, with violin soloist Viktor Tretiakov, repeated tomorrow (48098 614).
Thurs and Fri: Lorin Maazel conducts Bavarian Radio Symphony Orchestra in works by Rossini, Prokofiev and Mahler (558080).
Sun: Bach's Christmas Oratorio (299901)
Gartnerplatztheater Tonight: Wagner's Die Feen.
Tomorrow and Thurs: Hansel and Gretel.
Fri: Nutcracker. Sat: Khovanshchina (201 6767)
Herkulessaal Tonight: Anatol Ugorski piano recital (299901)
Residenztheater A new production of Shakespeare's Romeo and Juliet opens on Sat, repeated Dec 20, 26, 27, Jan 1-4 (225754)

PARIS

DANCE
An Opera Ballet production of three Jerome Robbins choreographies can be seen at **Palais Garnier** tonight, Thurs, Sat, Sun, Dec 23, 26, 27, 29 (4742 5371). The company also presents the Bourmeister production of Swan Lake at the **Bastille** tomorrow, Fri, Dec 22, 24, 28, 30, 31 (4473 1300). Tonight at **Théâtre de la Ville:** opening of two-week season by Jean-Claude Gallotta and Groupe Emile Dubois (4274 2277). Dec 27-31 at **Théâtre des Champs-Elysees:** Dance Theater of Harlem (4720 3637)
OPERA/MUSICALS
Tonight, Sat, Dec 23, 26, 29 at **Opera Bastille:** Sylvain Cambreling conducts Peter Sellars' production of Messiaen's Saint Francois d'Assise, with Jose van Dam and Dawn Upshaw. Thurs and next Mon: Gounod's Faust with Gosta Winbergh, Kallen Esperian and Paata Burchuladze (4001 1616). Tonight, also Thurs till Mon at Bobigny: Philip Glass/Bob Wilson music theatre work Einstein on the Beach (4831 1145). Daily except Mon at **Châtelet:** Hello Dolly! (4028 2840). Dec 17-31 at Opera Comique: Louis Varney's Les Mousquetaires au couvent, starring Gabriel Bacquier (4286 8883)
CONCERTS
Tomorrow, Thurs and Sat at **Salle Pleyel:** Gunther Herbig conducts Orchestre de Paris in Beethoven's Eighth and Ninth Symphonies (4563 0796). Thurs at **Théâtre des Champs-Elysées:** Philippe Herreweghe conducts orchestral music by Rossini, Dussek and Schubert. Next Mon: Rene Jacobs conducts Messiah (4720 3637). Next Mon at **Châtelet:** Claus Peter Flor conducts Orchestre National de France in works by Weber, Wagner and Schumann (4028 2840)
JAZZ/CABARET
Jazz Club Lionel Hampton Sandra Reaves-Phillips and the All Star Jazz band can be heard from 22.30 to 02.00 daily till Sat. Dec 21-27: Stefan Patry group. Dec 28-Jan 9: Lionel Hampton and his Orchestra (Hotel Meridien Paris Etoile, 81 Boulevard Gouvion St Cyr, tel 4068 3042)

WASHINGTON

DANCE
There are two different Nutcrackers from which to choose: Mary Day's Washington Ballet production at **Warner Theater** runs till Dec 27 (202-432 SEAT); Joffrey Ballet's production, created in 1989 by Robert Joffrey and Gerald Arpino, sets the ballet in New England and runs daily till Sun at **Kennedy Center Opera House** (202-467 4600). Jan 25-27: Twyla Tharp and Mikhail Baryshnikov (202-833 9800)
MUSIC
Tonight at **Kennedy Center Concert Hall:** Choral Arts Society carol concert. Tomorrow: Chamber Music Society of Lincoln Center plays music by Dvorak, Mozart and Ledahl. Dec 26 at **Eisenhower Theater:** Washington Opera season resumes with Don Pasquale (202-467 4600). Thurs and Fri in Baltimore's Joseph Meyerhoff **Symphony Hall:** Yuri Temirkanov conducts Baltimore Symphony Orchestra in works by Rimsky-Korsakov and Prokofiev. Mon: Vienna Boys Choir (410-783 8000)
THEATRE
- Jesus Christ Superstar: the Andrew Lloyd Webber/Tim Rice rock musical opens tonight, till Jan 10 (Morris Mechanic Theater, 410-625 1400)
- Hamlet: Tom Hulce in the title role of Shakespeare's play. Till Jan 10 (Shakespeare Theater at the Lansburgh, 202-393 2700)
- The African Company: Carlyle Brown's play about a group of African American actors in New York who put on Richard III. In repertory till March 28 with Blood Knot by Athol Fugard (Arena Stage, 202-488 4377)

ZURICH

Opernhaus The main event this week is the premiere on Sat of Jonathan Miller's new production of Schreker's Die Gezeichneten, conducted by Eliahu Inbal. There are also performances of Nutcracker on Thurs and Fri, and Carmen on Sat with Marjana Lipovsek (262 0909)
Tonhalle David Zinman conducts Tonhalle Orchestra tonight, tomorrow, Thurs and Fri in works by Dvorak, Bruch and Tchaikovsky, with violin soloist Gil Shaham (206 3434)

European Cable and Satellite Business TV

(all times CET)

MONDAY TO FRIDAY

CNN
2000-2030, 2300-2330 World Business Today – a joint FT/CNN production with Grant Perry and Colin Chapman

Super Channel
0700-0710, 1230-1240, 2230-2240 FT Business Daily
0710-0730, 1240-1300 (Mon, Thurs) FT Business Weekly – global business report with James Bellini
0710-0730, 1240-1300 (Wed) FT Media Europe
0710-0730, 1240-1300 (Fri) FT Eastern Europe Report
2240-2248 FT Report

Sky News
2030-2100, 2230-2300 FT Business Weekly

SATURDAY

CNN
0900-0930, 1900-1930 World Business This Week – a joint FT/CNN production

Super Channel
0830-0900 FT Business Weekly

Sky News
1130-1200, 1730-1800 FT Media Europe

SUNDAY

CNN
1030-1100, 1800-1830 World Business This Week

Super Channel
1900-1930 FT Business Weekly

Sky News
0130-0200, 0530-0600 FT Media Europe
1330-1400, 2030-2100 FT Business Weekly

FINANCIAL TIMES
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Tuesday December 15 1992

Departure of a reformer

AT THEIR Edinburgh summit, the European Community's heads of government announced "strong support" for Mr Boris Yeltsin's attempt to bring economic reform to Russia. The Congress of People's Deputies does not share the west's enthusiasm. But that enthusiasm was rhetorical. If the opportunity to bring about comprehensive reform has disappeared, the west bears a substantial part of the blame.

Mr Gaidar's loss is a serious, perhaps terminal, blow for Mr Yeltsin's reforms. The new prime minister, Mr Viktor Chernomyrdin, is an apparatchik brought into the government when Mr Yeltsin was trying to broaden support earlier this year. As gas minister under Mr Mikhail Gorbachev, Mr Chernomyrdin is associated with the failures of the last Soviet regime. Nothing suggests he understands how to transform Russia into a working, let alone a successful, market economy.

Nonetheless, this black cloud has a silver lining. Mr Gaidar's dilemma has been how long to remain in a government that was being diverted ever further from reform. The advantage of staying was his influence upon policy. The disadvantage was the way reform was being blamed for its opposite. Printing bushels of money in aid of the old industrial dinosaurs is not reform. It is just another version of the *ancien régime*.

Mr Gaidar's dilemma has been resolved, but not Mr Yeltsin's. He must now decide whether to oppose this government. Instead of being associated with its blunders, he could blame the unpalatable results upon the conservative elements that have foisted it upon him. Any distance he can put between himself and what is likely to become an increasingly unpopular government should also strengthen his campaign for constitutional reform.

This would be a risky path for Mr Yeltsin. With luck it will be unnecessary. Maybe Mr Chernomyrdin and his colleagues will recognise – as has Mr Leonid Kuchma in Ukraine – that radical reform is the only alternative. If so, Mr Yeltsin could support the government with a good conscience. Hitherto, Mr Gaidar has been the standard-bearer for reform. If his policies come to be seen as the logical response to circumstances rather than as personal whims, then the legitimacy of reform might itself grow.

Nevertheless, Mr Gaidar's departure does mark the end of the first attempt at transformation of the Russian economy. For the inability of Mr Yeltsin to carry through coherent reform, the west bears some responsibility. In Russia's distorted economy, any reform was bound to create a legion of powerful losers. A part of the solution was political reform. The other part was greater foreign assistance. As Professor Jeffrey Sachs, a senior adviser to the government, has argued, the lack of such assistance "has made Boris Yeltsin's task vastly more arduous and strengthened the hands of the hardliners".

The west has watched Russia's first serious reform government drown. Should the opportunity recur, it must not fail again.

Health reforms

THE UK National Health Service appears to be returning to old ways 18 months after the government launched its far-reaching health service reforms. Ward closures and lengthening waiting lists for operations are again threatened as hospitals run out of money before the end of the financial year. It appears that little has changed since 1987 when a similar crisis led the government to create an internal market in the NHS.

In one sense, this is hardly surprising: an important cause of the 1987 NHS crisis was the shortage of funds, a condition the reforms did nothing to cure. Instead, the internal market converted district health authorities into purchasers of health care, free to shop around among competing providers such as hospitals and community health organisations. The aim was to ensure that the available funds would be spent more efficiently. But the internal market did not, of itself, generate new funds.

In practice, generous funding was agreed in successive years, to ease the passage of the politically controversial changes. Ministers warmly welcomed the improvements in health care which followed and credited them to the reforms. Now, with much less generous settlements for the next three years, they must face the down side of the internal market.

The first is that a real market system must produce losers as well as winners, as those who are less efficient go to the wall. In London, the losers are likely to be the world-famous hospitals recommended for closure or merger in the Tomlinson report. With doubts over the figures behind some of Tomlinson's recommendations, Mrs Virginia Bottomley, the health secretary, will need skill and resolution to eliminate excess capacity in London.

A second problem is that while providers now vie for business, the district health authorities which act as purchasers on behalf of most people are largely immune to market forces. The only competition comes from a minority of family doctors who are fund-holders, directly purchasing health care for their patients in the internal market. They have been a dynamic force, producing significant efficiency savings while improving the quality of care for their patients. Fund-holding should be extended, with smaller practices grouped to make viable purchasing units.

Finally, there are few incentives to reward providers whose efficiency in treating patients leads them to fulfil their contracts and so run out of work before the end of the year. Where it can be demonstrated that greater efficiency rather than the quality and cost of their services has led to such problems, additional funds should be made available. That will be difficult next year when the real growth in the health service budget is unlikely to be more than 1 per cent. The government will remain under pressure to lubricate with more cash the incomplete process of creating a working market in health care.

Stones to guns

NOWHERE IN the world is the language of political violence more direct and expressive than in the Middle East. By kidnapping an Israeli border guard in Israel at the weekend and proposing a prisoner exchange, the militantly Islamic Palestinian group Hamas is engaged in more than a forceful effort to secure the release of its jailed leader, Sheikh Ahmed Yassin. It is attempting, at a moment of apparent stagnation in Middle East peace talks, to undermine the negotiating process and assert itself as the leading Palestinian force confronting Israel.

It will not succeed, at least in the short term. Mr Yitzhak Rabin, Israel's newly elected prime minister, remains committed to the peace process and says he believes it will yield agreement with at least some of his Arab neighbours next year. The Palestinians, too, are still uncomfortably on board.

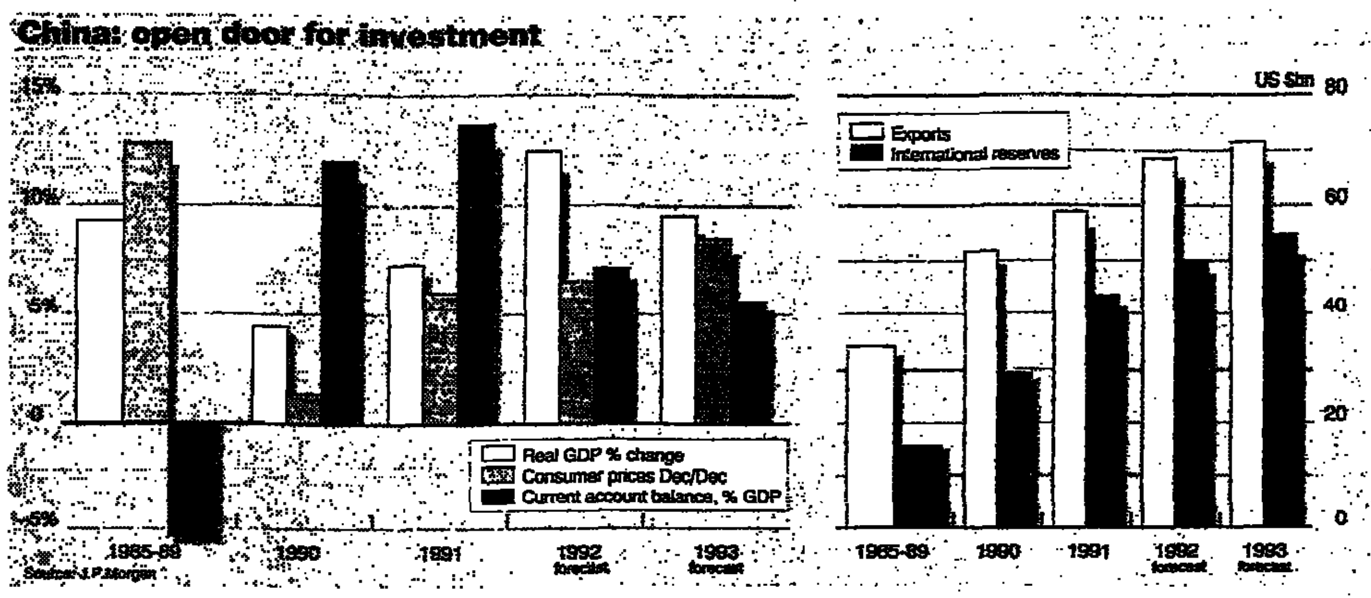
Nevertheless, the latest incident is a disturbing sign of the times. Coming after a week in which Hamas has murdered five Israeli soldiers, it underlines how the Islamic fundamentalists are coming to the fore, and are changing the character of the *intifada*, the five-year-old Palestinian uprising in the Israeli-occupied West Bank and Gaza Strip. In Gaza especially, where the rebellion began and where Hamas's strength is concentrated, the conflict seems to be shifting from sticks and stones to low-level guerrilla warfare.

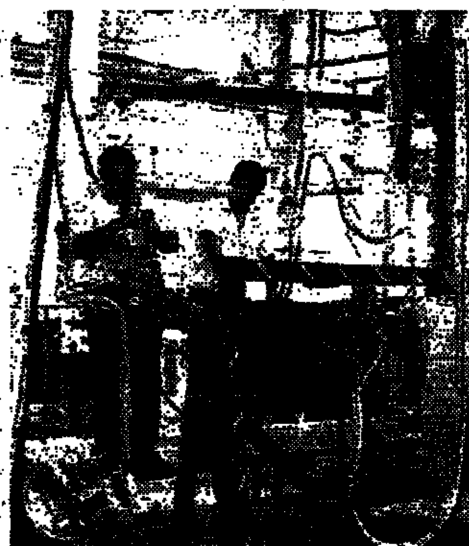
Hamas's activities would not be so worrying if it were not for the fact that they are taking place in something of a political vacuum. The US-sponsored peace process launched in Madrid more than a year ago has yet to show tangible progress. In particular the Palestinian negotiators are showing increasing frustration with what they have thus far been offered: an interim, strictly limited arrangement for self-rule in the Israeli-occupied West Bank and Gaza Strip pending talks on a final settlement after three years.

It makes for a political climate in the territories in which violence could easily obtain a momentum of its own, and lead to a further hardening of attitudes on both sides. Mr Rabin will need to show diplomatic skill as well as toughness if the kidnapping affair is not to escalate.

Most important, however, is the need to inject fresh momentum into the Washington negotiations. Israel, whose initial proposals on Palestinian autonomy were unacceptably meagre, must be urged to improve its offer. The Palestinians must then be pressed to proceed with local elections, and convinced that they cannot expect to exact further concessions through violence or external pressure. The other Arab negotiating parties must be kept at the table.

There is only one player that can do all these things: the country that launched the process. Add the Middle East to the list of foreign problems that will confront President-elect Bill Clinton immediately after inauguration day.





A profitable homecoming

FT writers examine the contribution of Chinese entrepreneurs to the wave of investment in their ancestral birthplace

Mr Kitti Dumnernchanwanit, president of a Thai industrial conglomerate, last month agreed on a $1bn forestry, pulp and paper project in China's Guangdong province. The deal, part of the wave of foreign investment that has swept into China recently, underlines the leading role that ethnic Chinese from throughout south-east Asia are playing in the country's economic boom.

"I am a Chinese, but was born in Thailand," Mr Kitti says. "I always realise that for a human being it is a must to bring progress and prosperity to his country of origin."

From the launch of China's "open door" reforms in 1979 until the end of last year, $56bn of foreign investment has poured into the country; $12bn was invested in 1991 alone, nearly double the amount of each of the previous three years, according to official Chinese figures. The acceleration is likely to have continued this year as a result of a new push by Beijing for growth.

Determining the origin of investments is difficult because most of it is done through companies in Hong Kong. A large part is coming from Hong Kong Chinese and Taiwanese investors – communities that naturally regard China as their homeland. But significant amounts are also coming from the rapidly growing economies of south-east Asia.

Though its scale is difficult to quantify, there are plenty of investment examples. Indonesia's Salim group, run by Mr Liem Sioe Liong, is involved in many projects in China, including water treatment and power plants to supply industrial estates and towns. Lippo group, another Indonesian conglomerate, has investment proposals through its Hong Kong arm totalling $1bn, including a deep water port in Fujian province.

Bangkok Bank, Thailand's largest bank, founded by the ethnic Chinese Sophonpanich family, has opened a branch in Shantou which will process inward remittances from ethnic Chinese in south-east Asia. Investments of the Charoen Pokphand group, the biggest Thai investor in China, include animal feed mills, chicken farms, a motorcycle factory and a brewery.

Mr Robert Kuok, a Malaysian Chinese tycoon, is a partner in the Beijing World Trade Centre, an office, conference and hotel complex which is the country's largest commercial property project. His Shangri-La hotels are in several Chinese cities, and he is investing in other projects, including one in his ancestral city of Fuzhou in the south.

For the ethnic Chinese in south-east Asia, there are cultural as well as business reasons for investing in their homeland. Many have only loose connections with China, their forebears having migrated generations ago. However, emotional attachments are strong and knowledge of Chinese dialects remains widespread. "For us to move to China is quite easy because of the language, and we all have the Chinese mentality," says Mr Prasong Panichpakdee, managing director of Thailand's Somprasong Land Development, which is building condominiums in China.

Throughout south-east Asia, ethnic Chinese are the main entrepreneurs and dominate business activity in most countries. Their investment is vital for continuing growth. Consequently, a significant diversion of funds to China could have economic and political repercussions in the region.

A Singapore-based investment analyst says: "The governments in this region have not yet woken up to the volume of investment now going to China – it could mean precious investment funds draining away from the region. That would only cause more anti-Chinese resentment, especially in Indonesia and Malaysia." Indeed, many overseas Chinese feel discriminated against in their home countries, despite their economic power. In Malaysia, where they make up about 30 per cent of the population, they face officially sanctioned discrimination in areas ranging from allocation of equity issues to quotas on educational opportunities.

Since 1971, partly in response to anti-Chinese riots and concern about Chinese control of the economy, the policy of the Malay-dominated government has emphasised discrimination in favour of Malays. The aim was to increase their participation in the economy and prevent racial conflict. According to official figures, Malays now control more than 20 per cent of corporate equity. Though race relations have mostly been calm, Malays still resent the economic power of the Chinese, who dislike being treated as second-class citizens.

In Singapore, where most people are ethnic Chinese, the government has reversed policy and is now encouraging investment in China. Singapore's economy, along with the economies of Hong Kong, Taiwan and South Korea, has reached the stage where it is targeting high-technology industry for domestic growth, with lower-level manufacturing being farmed out to cheap labour countries such as China and Vietnam.

In Thailand, where the overwhelming majority of companies large enough to contemplate foreign investment are controlled by ethnic Chinese families, the wave of investment in China is not controversial. There is enough capital available for investment in Thailand, and no one has publicly expressed fears that investment into China will hinder development.

The situation in Indonesia, however, is more delicate. The Chinese community makes up about 4 per cent of the 183m population and dominates the economy. Ethnic Chinese control most conglomerates and large private banks.

Diplomats say that Indonesia is quietly putting pressure on its Chinese community not to take money abroad. Many businessmen believe it is fighting an uphill battle. A non-Chinese executive of Bimantara Group, a conglomerate headed by a son of President Suharto, says: "I think the Chinese are tired [of Indonesia]. They will keep their investments here, but profits will go to China. The Chinese are going back to China."

Mr Adrianus Mooy, governor of the central bank, says: "It's not expected of them to be short-sighted and only to look at the opportunities in Indonesia." Low wages and a large internal market, he says, will allow Indonesia to remain competitive with southern China.

Ethnic Chinese businessmen in Indonesia insist that investments in China are made on the basis of financial pragmatism rather than emotion. China, they say, simply offers better returns than elsewhere. Mr Sofjan Wanandi, chairman of Gemala Group, says conglomerates need to diversify. "They are big already in Indonesia and want to broaden their base." He says finance for expansion into China is coming mostly from outside Indonesia because of local high lending rates.

"There is growth available for everybody," says Mr Gus Nilo, managing director of Sinar Mas, an Indonesian conglomerate with substantial investments in China. "It's a question of what industry will grow in what country."

The profit motive is clearly the primary force driving south-east Asia's Chinese back to China. The homeland offers a huge market with low land and labour costs, with the prospect of fast growth in domestic sales and exports. Many businessmen return to their ancestral villages because they have connections with local people. Family connections help – relatives may know local government and Communist party officials, and may be officials themselves. Good contacts mean good business.

Business, however, may not be the only motive. Mr Wang Sui-lin, professor of sociology at Hong Kong University, says: "They are returning home in an ultimate sense. Among the overseas Chinese there is a strong sense of ancestral roots. They want the status that comes with the recognition conferred on them by their birthplace, or the birthplace of their ancestors."

Reporting by Kieran Cooke, Simon Holberton, William Keeling, Victor Mallet and Alexander Nicoll

Ever-closer connection

Indonesian businessman Mr Liem Sioe Liong, one of the wealthiest overseas Chinese in south-east Asia, is at the centre of the latest big investment to be announced in China. The deal illustrates Mr Liem's return to ancestral roots, a common motivation among overseas Chinese investing in their homeland, *writes Kieran Cooke*.

He has teamed up with two state-controlled Singaporean companies to develop an industrial park in China's Fujian province. The first phase will cost $185m.

Mr Liem heads the Salim group, which has an estimated annual turnover of $8bn and is Indonesia's biggest business group. The group is involved in cement, steelmaking, shipping, property, flour milling, noodle making and other activities.

Mr Liem is a native of Fujian and has maintained close links with the province. Singapore itself has close connections with Fujian province, home of people who speak the Hokkien Chinese dialect, which is widely spoken in Singapore.

A Singapore-based investment analyst says Mr Liem's project is an example of "the Singapore Inc. approach – cash-rich government companies linking up with well-connected private interests to exploit an opportunity".

Mr Liem will hold a 40 per cent share in a company which will plan and manage the Fujian enterprise. Other companies connected with Mr Liem will have an additional 30 per cent stake, while the two Singaporean companies, Singapore Technologies and Jurong Environmental Engineering, will each have a 10 per cent share.

The project involves turning a 5,000-hectare area into a commercial, industrial and residential complex. Port and other infrastructure facilities will also be built. The aim is to attract light and medium-sized industries from Taiwan, Singapore, Hong Kong and Japan.

The complex is designed to be a low-cost export manufacturing base which will act as a springboard for further trade and investments in China. It is close to Taiwan, which is also investing heavily in Fujian.

But the project could cause regional ripples. "There are many people in Indonesia who feel that Liem, having made his money there, should not be investing big amounts in China. Allowing our [Singapore] state companies to get involved in such high-profile projects could cause problems in our future relations with Indonesia," says a Singapore-based analyst.

Joe Rogaly

Need for friendly giant

Two years of buttering up Chancellor Helmut Kohl paid dividends for Mr John Major at the weekend. Now he must labour mightily, and perhaps for as long, to achieve a good personal rapport with Mr Bill Clinton. The prime minister is surely aware of this. His aim must be to establish as profitable a working relationship with Washington as the one he has with Bonn. A medium-sized nation such as Britain needs the friendship of both giants, one for its economic influence within Europe, the other because it is the only superpower.

Mr Major worked hard for success at the European summit in Edinburgh. His well-known negotiating skills were effectively deployed. His attention to detail and his mastery of a complicated brief have been rightly praised. Yet without German support all that effort might have been in vain. One day – no one can tell when – the prime minister will need US understanding as badly as he required that of Germany on Friday and Saturday.

Until now it has usually been possible to count on an amicable President George Bush. That helped Number 10 Downing Street play an important part in salvaging the Gatt negotiations just a few weeks ago. Mr Major spoke as president of the European Council, but his voice was that of a dependable ally. When former President Ronald Reagan and Lady Thatcher were both in office, the link was telepathic. When Mr Major wishes to talk to Mr Bush, the Oval Room, like Mr Kohl's office, is only a telephone call away. The arrival in the White House next month of a completely new man – a favourite of the 1960s generation and a Democrat – puts a question mark over all that. Washington can no longer be taken for granted. Mr Major must earn Mr Clinton's trust.

The courtship will not be easy, or quick. It starts with an embarrassed shuffling of feet as memories of the help played by the Conservative party in Mr Bush's campaign (and Labour in Mr Clinton's) are allowed to fade. This is good dirty fun, but it is not the essence of the matter. Mr Clinton sought out Sir Robin Renwick, the British ambassador, at a glittering party thrown by Mrs Kay Graham in Washington last week. Perhaps this was a pay-off for half a year of persistent, and characteristic, precautionary burrowing into the Democratic camp undertaken by the ambassador and his staff. The president-elect assured Sir Robin that no insult was intended by his inability to find time to see Mr Major when he visits the US later this week.

Surely not, but Mr Clinton's diary is a reminder that his priority is management of the domestic economy. A page on which to write the word "Britain" has not yet been found. Mr Major's priority is his policy for western Europe. I trust that, for him, the word "America" is on page one of 1993.

> **Mr Major's priority has been western Europe. I trust that 'America' is on page one of his 1993 diary**

The shift of emphasis in both Washington and London away from the transatlantic link makes the re-establishment of a strong relationship difficult. This loosening of ties was bound to happen. The cold war is over. Before the Berlin Wall came down, western diplomats and military planners could tell themselves that they were all working within the same global framework. That sense of grand strategy has gone. Officials around Lady Thatcher and President Reagan could hum the same tunes because they thought alike. There is no such natural harmony today. There will be even less after January 20, when the new president takes over.

Some old hands argue that Mr Clinton will soon see the need for a practical alliance with Britain. The United Kingdom is a nuclear power, a permanent member of the Security Council, a potentially useful provider of military bases, a brother in the intelligence family. New international crises will present themselves. Russian policy cannot be foretold. President Saddam Hussein is still in control of Iraq. The politics of trade negotiations is continuous. The war in former Yugoslavia is exploding right now.

The new president will have to decide how to handle such matters – when he eventually gets around to foreign policy. His natural instinct may be to deal with western Europe as a region and the EC as its local organisation. Against that must be set growing US irritation at the Europeans' failure to respond to the needs of Bosnia. I would also be irritated, were I an American, by the knee-jerk anti-Yankee response to the intervention in Somalia. President Bush's motives may be impure, but tell that to a starving child.

What Mr Major has to do first is ascertain just how responsive to calls the new Uncle Sam is going to be. Europeans in general, and the French in particular, like to proclaim the EC as an alternative superpower, but go running to the real one whenever serious money, or action, is called for. British Conservatives do not, by and large, fall into this trap. They know where the centre of military power lies, and seek to work with it. This ancient process may not be so simple with Mr Clinton in the White House.

The increasing use of anti-dumping actions could undermine the benefits of successful trade negotiations, says **David Dodwell**

Protectionist wolf in sheep's clothing

After years of tortuous negotiations, the prospect of a successful completion of the Uruguay Round of world trade talks has raised hopes of substantial gains in international commerce. But trade experts have become increasingly concerned that anti-dumping actions could undermine the benefits of an agreement.

Such concerns are based on fears that increasing use of anti-dumping actions – duties and fines against alleged sales of products at below-cost prices – represents a creeping protectionism which is raising new barriers to trade. At present, dumping is dealt with under a special code in the General Agreement on Tariffs and Trade, which calls for complainants to report dumping actions, and deals with disputes arising when exporters challenge a dumping duty. Countries which have been frequent victims of dumping actions, such as Japan, have become increasingly anxious for international curbs on what they regard as harassment by the EC and the US.

Evidence of the growing protectionism behind anti-dumping actions comes in a forthcoming study by the World Bank. According to the report, average tariffs in the entire US manufacturing sector would be 23 per cent today – compared with a nominal level of 6 per cent – if they were adjusted to account for the cost of dumping duties on imported steel, textiles and cars, the industries most affected.

"We appear through dumping actions to have rolled back about half of the gains of the 45-year Gatt process," says Mr Michael Finger at the World Bank. When the Gatt was set up in 1947, tariffs averaged between 40 and 50 per cent.

"Anti-dumping actions are Smoot-Hawley in slow motion," a leading Washington trade lawyer said last week, referring to the controversial protectionist law passed in the US in 1930, which played a critical part in fomenting a tit-for-tat trade war that took the world into the Great Depression.

The current fears result from a proliferation of anti-dumping measures. The decision earlier this month by the US to impose punitive fines on steel imports from the European Community, and the EC's own imposition of punitive duties on eastern European steel exporters, are the latest incidents in an accelerating trend. The number of anti-dumping actions in international markets has risen from 96 in the year to June 1990 to 237 in the year to this June.

The number of countries using the measures is also rising. Australia overtook the US last year as the biggest user of anti-dumping actions, while Mexico for the first time launched more actions than the EC. Developing countries have now brought a total of 162 actions, all of them since 1985.

At the same time, the range of products affected by anti-dumping duties has grown. In the EC alone products affected range from ethanol, cement and aspirin to computers, fork-lift trucks and flowers.

Expansion of these measures is partly the result of the reduction in tariff barriers. In the US and Europe, industries ranging from cars to electronics have found it steadily harder to compete against foreign manufacturers as tariff walls have fallen. Recession has exacerbated the effects of foreign competition, fuelling calls for protection from imports. The previous recession, of 1982-84, also prompted a rise in anti-dumping activity; the costs of such action still weigh heavily on several industries, notably chemicals.

Mr Michael Davenport, a former European Commission economist, believes governments also use anti-dumping actions as a means of promoting certain industries. "Anti-dumping policy in the EC seems now to be used covertly as industrial policy," he says.

Supporters of anti-dumping actions from within industry and government argue that the measures are necessary to prevent unfair market practices. "Anti-dumping actions are a blunt instrument, and don't always follow the markets. But in a global economy full of distortions, they are the only recourse industry has," argues Mr Sean Mackle of the Chemical Industries Association.

But the ways in which governments determine what constitutes dumping generally stack the cards against exporters and are open to abuse.

When the US Commerce Department investigates a charge of dumping, it uses an arbitrary profit margin of 8 per cent to determine whether the price of the exporter's products is "fair". This margin is set despite the fact that profits before income taxes for all US companies average 6 per cent, according to calculations by the International Trade Commission in the US.

In 1989, the Court of International Trade in the US complained that the Department of Commerce's methods of comparing prices results in "a loss of reasonable fairness". All but 5 per cent of the department's investigations result in a finding of dumping – penalising more than 3,000 foreign companies since 1980.

Controversial findings abound. China has been found guilty of dumping manhole covers after a comparison with production prices in Belgium, Canada, France and Japan unsurprisingly showed the Chinese products were cheaper. Hong Kong, a transparent and highly competitive economy, without subsidies, has been charged with dumping sweaters and photograph albums.

In 1989, electronics group Matsushita of Japan abandoned its defence against claims it was dumping telephone systems in the US when officials demanded on a Friday afternoon that it translate 3,000 pages of Japanese financial documents into English for presentation to investigators by the following Monday.

For exporters to Europe, EC actions may appear equally capricious, though fewer than a quarter of investigations over the past decade have resulted in duties being charged. Instead, the EC appears to prefer "voluntary" restraint agreements by exporters. More than half of all cases have led to "special undertakings" under which importers agree to raise prices. Many of the others are referred to as "investigations which have been terminated for other reasons". This usually means that informal import restrictions were agreed.

Nor is there any effort in Brussels or Washington to discover whether "dumping" is helpful or damaging. As a recent IMF report complains, it is often "not low prices abroad, but high prices at home, that should be objected to".

US steel users have been quick to protest that the duties announced this month, which range as high as 68 per cent, will raise their costs and damage their competitiveness. Britain's National Consumer Council has calculated that in consumer electronics alone, the cost to EC consumers of Community anti-dumping measures is £1.17bn a year.

The draft Uruguay Round agreement is intended to spur anti-dumping reform, but economists say the text is largely copied from existing US and EC law – the text that provides a framework for abuse. Without further toughening of anti-dumping law, any trade gains might prove illusory.

Anti-dumping: creeping protectionism

Anti-dumping and countervailing duty cases	Jan 80 to Jun 80	80-81	81-82	82-83	83-84	84-85	85-86	86-87	87-88	88-89	89-90	90-91	Jan 91 to Jun 92
		July to June											
Australia	36	61	54	71	70	63	54	40	20	19	23	46	76
Canada	26	48	64	94	26	35	27	24	20	14	15	12	16
EC	17	37	39	25	33	34	23	17	30	29	15	15	23
US	37	24	51	19	46	61	63	41	31	25	24	52	62
Other developed countries	1	3	2	0	1	0	2	5	9	12	5	9	21
Developing countries	0	0	0	0	0	0	3	4	13	14	14	41	39
Total	[illegible]	[illegible]	210	[illegible]	176	195	172	131	123	113	96	175	237

Source: Gatt

'Anti-dumping policy in the European Community seems now to be used covertly as industrial policy'

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL
Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

Post Office already in banking

From Mr Lewis Evans.

Sir, Your interesting article on the possible privatisation of Britain's Post Office ("Return to sender – cost unknown", December 10) was generally a balanced and stimulating feature on this difficult issue.

I was particularly interested in the comment that the Post Office might be in a better position to fulfil its obligation to maintain a national network "if it were permitted to undertake banking transactions".

I should point out, of course, that Girobank, as I am sure you are aware, provides a wide range of banking services for personal and corporate customers through the Post Office network.

Girobank has well over 1m personal account holders and handles more than £55bn a year through its cash handling service for corporate customers.

Perhaps you may recall that Girobank plc was privatised from the Post Office in July 1990 and is now a wholly-owned subsidiary of the Alliance & Leicester Building Society.

Lewis Evans,
managing director,
Girobank,
49 Park Lane,
London W1Y 4EQ

Japanese report sets example for Russian economic reform

From Sir Arthur Knight.

Sir, In his Personal View (December 10) on the Russian economy, John Odling-Smee makes no reference to measures of the kind proposed by Japan's Ministry of International Trade and Industry in a document delivered to Moscow earlier this year ("Economic Notebook: A Japanese lesson for all", July 20). These draw upon Japanese experiences in the post-1946 period to make suggestions about economic reform in Russia.

The Miti document refers to an International Monetary Fund memorandum of February 27 about measures the Russian government has to take by the end of this year. It accepts those measures as necessary for macroeconomic stabilisation (specifically mentioning as essential a move towards price liberalisation "which no other policy measure should be allowed to impede") but doubts that those measures alone are enough to revitalise production. It comments that the government thinks it can implement microeconomic restructuing after there are signs of macroeconomic stability, but believes that macroeconomic stabilisation will take about five years. It argues that market mechanisms alone will not work; some government intervention is inevitable; to diversify investment would be the worst policy; a focus is needed on specific sectors. It proposes a "Russian-type new priority production system" with priority to the oil industry which would involve price, quota and export tax arrangements.

Such arrangements, the document claims, could have beneficial effects on the costs of other important industries, provide a significant source of foreign currency for industrial modernisation, and impart a stabilising fiscal influence.

The foregoing is a brief extract from advice which derives from the Japanese experience in managing a successful economic performance. It would be helpful to understanding the policy-making scene to know whether the Russians are being encouraged to see the Japanese advice as a potentially constructive contribution to their planning.

Arthur Knight,
Charlton End,
Charlton,
Chichester,
West Sussex PO18 0HCX

A racing certainty

From Mr John Scrutton.

Sir, Breeding is the basis of the racing industry; why should it not work for the banking industry? (Observer: "Hot seat", December 11). Incidentally, Andrew Buxton may step into the chairman's shoes at Barclays, but hardly "step into his seat".

John Scrutton,
Hatch Cottage,
Godden Green, Kent TN15 0JR

Narrowing a market spread

From Mr Andrew McHattie.

Sir, Dr Robinson (Letters, December 11) is not alone in bemoaning the punitive spreads quoted by market-makers for UK equity warrants. However, there are two simple steps which may be taken to ameliorate the apparent difficulties. First, find a good stockbroker with established relationships in the market. Often it is possible to deal at a price inside the quoted spread, which is frequently no more than a starting point for negotiation. Second, restrict dealings to leading issues where quoted spreads are 2 to 3 per cent.

Andrew McHattie,
publisher, Warrants Alert,
Nailsea, Bristol BS19 2EP

Monarchy: political dimensions of a show that will run and run

From Mr Brian H Gill.

Sir, David Cannadine's gall-flavoured colonial view of our "anachronistic relic" (his words) of a monarchy ("The royal dilemma that won't go away", December 12) may very well be grist to the mills of those of your readers who suffer from some ill-defined nightmare of a monarchical "democratic deficit" in this country.

While it is indeed true that our politicians use the crown as a cloak for their generally incompetent and nefarious doings, it is even more true that the monarch protects us from the ultimate indignity of a politician as head of state (given that we would hardly be so fortunate as to find another Richard von Weizsäcker here).

The monarchy also ensures that there is someone of commonsense and sanity to take over in the event, hardly inconceivable these days, of the politicians finally becoming so incompetent that they cannot keep the "ship of state" afloat any longer, bail as they might!

Brian H Gill,
261 Grove Street,
London SE8 3PZ

From Ms Caroline Walcot.

Sir, How very extraordinary of the Financial Times, normally a solid and worthy purveyor of information, to give half a page to a wholly spiteful article written by an outsider on a event which, though constitutionally tricky, was inevitable. Why pontificate at all? The FT would be wiser to stick to its own (superior) staff writers with their sensible tongue-in-cheek views, and to consider this: regular FT readers who would tend to avoid reading tabloid nonsense would have had their senses jarred by such a silly and unnecessary article.

A brief mention in the Observer column would have done it.

Caroline Walcot,
285 chaussée de Drogenbos,
1620 Drogenbos (Brussels),
Belgium

From Prof Richard Rose.

Sir, David Cannadine's article about the Royal dilemma rightly stressed constitutional implications, but was incomplete.

Every country, including Britain, needs a head of state. Does anyone seriously expect a Conservative prime minister to recommend the replacement of the monarchy by a president? Or can anyone imagine John Smith as prime minister putting such a proposal to the Commons?

Notwithstanding all the family problems, this show will run and run.

Richard Rose,
director,
Centre for Study of Public Policy,
University of Strathclyde,
Livingstone Tower,
26 Richmond Street,
Glasgow G1 1XH

OBSERVER

Saab sucks it to 'em

■ Tossing modesty to the winds, Swedish car maker Saab is claiming that its latest cars are so environmentally "correct" that the exhaust gases going out can be cleaner than the air going in.

It says that this result was achieved during tests conducted in the City of London by the government's Warren Springs environmental research laboratory. The electronic exhaust technology used in the latest Saab cars produced fewer smog-causing nitrogen oxides and hydrocarbons than was found in the air monitored at the engine intake.

But before the green lobby starts gratefully to disband it should realise that the war is by no means won. Saab is not to start marketing its new cars as environmental vacuum cleaners, because, of course, all is not as wonderful as it sounds.

Since fewer than a tenth of vehicles in the UK are fitted with catalytic converters, the car in front of the Saab would more than likely have been cheerfully belching the nasty stuff directly into the Swedish car's engine.

So, puffed with pride though Saab may be, it is still only converting the very dirty to the merely dirty.

Switched on

■ A Hungarian, it's said, is someone who enters a revolving door behind you and comes out in front. A case in point is Miklos Csapody, the Hungarian executive just designated director of technology for the US General Electric's subsidiary, GE Lighting Europe.

It is three years since GE acquired Tungsram, the former state-owned Hungarian lightbulb-maker, thus inheriting Csapody who had been with the company since starting work as an electrician. Following the takeover, the westerners gave the instructions, he says.

But the positions have been reversed by the shake-up in GE Lighting Europe aimed at integrating Tungsram with the lighting business bought from the UK's Thorn EMI. Csapody has emerged from the revolving door ahead.

The self-assured 53-year-old, who learnt English by reading Oscar Wilde at home, becomes responsible for research centres in Leicester and Enfield in the UK, as well as in his native Hungary. His position is probably the highest any native east European has risen within a western multinational.

A sheltered east European managerial upbringing can occasionally be a boon. Csapody says he did not quake when he first met Jack Welch, GE's formidable CEO...before admitting: "I didn't know enough about him to be scared."

Dunn that

■ Is the invasion of British journalists into the top positions in the US magazine business about to be repeated in the cut-throat world of New York tabloid newspapers?

If Mort Zuckerman, the US real estate developer turned publisher, can lick the New York printing unions into letting him take over the New York Daily News, one of his first jobs will be to recruit a Fleet Street editor.

Mort, owner of US News and World Report, has already been sounding out the top brass at Associated Newspapers; the suggestion has been made that the man to turn round the Daily News is Martin Dunn, the 37-year-old editor of Today, part of Rupert Murdoch's rival stable.

Of course, this may be just a bit of mischief-making. But Dunn seems well suited. Not only has he lifted Today's circulation by more than 20 per cent, but he spent six years in the Big Apple partly working for the Sun. The word is that he would be off like a shot if he were offered the chance to edit the Daily News.

'I want to see John Major's face when I vote no'

Embarrassy

■ While not the worst of Russia's problems, the former Soviet embassy on Berlin's Unter den Linden is proving more of an embarrassy to the purse-pinched diplomats now headquartered in Bonn.

"Grandiose" does less than justice to the Berlin edifice, built in 1951 as part of Germany's war reparations. It boasts an opulence of – among other things – pillared chambers, a stairway of dark green marble taken from Hitler's chancellery, and a stained glass panorama of the Kremlin. Paying for its upkeep is another matter.

One idea the Russians have been working on is to use the immense dining hall for "market-oriented events". But they have now had another inspiration.

It's to get the building listed as a Berlin landmark, so obliging the city authorities to contribute to its maintenance.

Unseated

■ Cultural events at the Barbican arts centre in the City of London evidently have power to move people to do strange things. This year, the lost property office collected several sets of false teeth, a lacy bra size 38E, a box of 124 unused condoms, and a pair of boy's underpants. All remained unclaimed.

The Barbican has decided to donate these items, along with countless umbrellas, items of outerwear, briefcases and cameras to Providence Row, the city's charity for the homeless which is trying to raise £5m.

Bunkered

■ Armed with the correct postcode but not much else, the British Post Office has successfully delivered a Christmas card to a colleague; the envelope showed the recipient's name and title misspelt, omitted the Financial Times altogether and lodged us in Warkbridge rather than Southwark Bridge.

The signature inside was illegible but scrutiny of the envelope revealed that it had come from the office of Daniel Goeudevert, deputy chief executive of Volkswagen. VW may have produced the 1992 car of the year with its new Golf, but it has some way to go before it can qualify for communicator of the year.

FINANCIAL TIMES
Tuesday December 15 1992

Kidnapping triggers massive search and highlights Palestinian divisions

Israel takes hard line on hostage

By Hugh Carnegy in Jerusalem

Israeli soldiers question motorists in their search for a kidnapped paramilitary policeman

ISRAEL demanded evidence yesterday that a paramilitary policeman kidnapped by Palestinian Moslem fundamentalist guerrillas was alive before it would consider negotiating over the release of the group's jailed leader.

At the same time the authorities stepped up the hunt for the missing man, sealing off the occupied West Bank and Gaza Strip from Israel, placing hundreds of thousands of Palestinians under curfew and rounding up supporters of Hamas, the Islamic Resistance Movement responsible for the kidnapping.

All police leave was cancelled and helicopters were called in to join the search.

Last night the Israeli government had received no direct word from Qassam, the military wing of Hamas, which carried out the kidnapping. Almost 24 hours had passed since its first deadline for killing Sgt-Major Nissim Toledano of the paramilitary border police if Sheikh Ahmed Yassin, the Hamas leader jailed for life last year, was not released.

Hamas's representative in Jordan, Mr Mohammad Nazzal, said negotiations for Sgt-Major Toledano's release could begin if Israel signalled it was ready to free Sheikh Yassin.

Mr Moshe Shahal, the Israeli police minister, responded: "The government can relate to this news only after it is clear who are the captors and only after receiving proof they hold Nissim Toledano and all is well for him."

Senior figures in Gaza linked with Hamas suggested 57-year-old Sheikh Yassin could be freed on medical grounds – he is disabled and in poor health. But releasing him would be bound to be seen both by Hamas and by Israel's rightwing opposition as a sign of weakness on the part of Mr Yitzhak Rabin, the prime minister, who is also defence minister.

The kidnapping was the most audacious act to date by Hamas. Although Qassam has in the past week killed four soldiers in hit-and-run ambushes in the occupied territories, the taking of a military hostage from an Israeli city was a direct challenge to the ability of Israeli authorities to control security inside Israel and in the West Bank and Gaza.

Previously, Hamas has murdered two Israeli soldiers captured inside Israel, but it did not attempt to trade them for political demands. The kidnapping and recent killings have also shown up the Palestine Liberation Organisation in an embarrassing light.

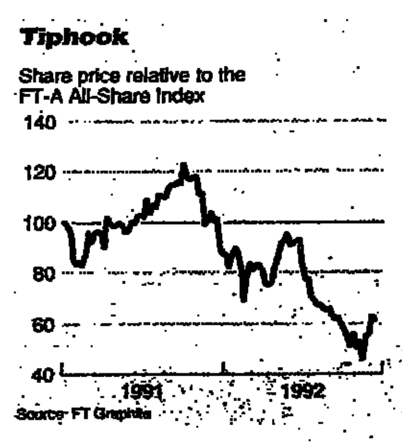
While Hamas, which opposes the Middle East peace talks, claims the popular banner of resistance against Israel, the PLO is backing negotiations which Hamas loudly denounces as a sell-out.

Harsh challenge, Page 3

THE LEX COLUMN

Off the summit

FT-SE Index: 2721.8 (+5.6)



It did not take financial markets long yesterday to decide that the Edinburgh summit was a more of a political than an economic policy success. True, the meeting agreed on a package to bolster growth, but the short-run effect will be minimal. The pressing problems of currency uncertainty against a backdrop of high unemployment and tight money were not addressed, so it cames as no surprise that, after an initial rise, the French franc quickly fell back. It closed still in the danger area at over FFr3.41 to the D-mark.

If that indicates a market belief that pressures on the system are likely to continue, the French bond market seems to be taking its own view of how the authorities will react. Last week, French bond prices rose on the expectation of a devaluation which would allow short term rates to fall. Yesterday, bond prices fell around half a point on the prospect of continued monetary squeeze. Good inflation figures, perversely, did not help; they were simply a reminder that, with real short rates of 9 per cent, money is almost unbearably tight.

How long that situation can last is a moot point. Devaluations elsewhere in Europe have eroded French competitiveness; the Irish and Danish currencies still look vulnerable. Were they to devalue, the franc could be brutally exposed. Then again, Edinburgh's agreements may redouble the political will to hold the line. The next speculative attack will almost certainly not now be mounted before the new year and Germany's economic situation is deteriorating fast; the IFO economic institute now expects a half point fall in real economic output next year. That might keep alive just enough expectation of lower German rates to defer the final assault on the franc. A sharp deceleration in money growth would help even more – but that still looks like wishful thinking.

Fisons

Fisons will have to deliver more than well-timed disposals to convince *the market* that it is, if not completely out of the woods, at least in possession of a map. Granted, it could hardly choose a better time to sell its consumer health interests. The generous multiples paid by Roche for the UK consumer brands yesterday and by Ciba-Geigy for the north American business last month underline the scramble among pharmaceuticals giants to carve a position in over-the-counter medicines. Assuming the horticulture division also fetches a decent price, Fisons will soon be free of debt. However neither the consumer health business nor the balance sheet were ever the root of Fisons' problems.

For all the new faces at board level and lower down the hierarchy, there is *no conclusive evidence* that the rift with the US Food and Drug Administration has healed. Valuable time and earnings are being lost, not least because Opticrom's US patent expires next year. With scientific equipment likely to remain under pressure, earnings recovery hinges on an early and successful US launch for Tilade, the asthma therapy.

The US regulator seems unlikely to muster enough seasonal goodwill to clear both Opticrom and Tilade before the year end. Even if it did, there can be no certainty that Fisons has sufficient marketing skills to make the best of the opportunity. Co-marketing agreements with other drug companies – under consideration but not yet concluded – would help. A yield of 5.3 per cent and a secure dividend should provide support for the shares, but on past performance the market can hardly be blamed for taking little on trust.

European mergers

The European Commission's decision to re-open its investigation of the British Airways-Dan-Air merger will do little to allay the fears of those who worry that its competition policy is politically driven. The request was made by the Belgian government, as indeed is its right under the hitherto neglected article 22 of the EC merger regulation. However it is not hard to detect the hidden hand of the Belgian flag carrier Sabena and its shareholder, Air France.

They may have difficulty arguing that the merger will impede competition in the Belgian market. Before it acquired Dan-Air, BA had seven daily flights between London Heathrow and Brussels – the same as Sabena. Now it has acquired four flights from Gatwick, yet the merged British carrier still accounts for less than one third of the traffic between the two capitals.

Last month the EC found no reason to block the deal at a European level. Now it seems slightly embarrassed at having to revisit the issue. The outcome is unlikely to be anything tougher than a requirement on BA to give up some of its London-Brussels slots, *if that*. The City was right to shrug off the implications yesterday, but Sabena may have found a temporary spoiling tactic and Belgium's action shows the battle to confine European merger control to competition issues is still not won.

Tiphook

Renting boxes and trailers should be a straightforward business but Tiphook's aggressive growth and accounting policies have lent it a certain mystique. As a result, its shares have been buffeted far more by sentiment than fundamentals.

Even though interim profits dipped 10 per cent, Tiphook's shares remain strikingly cheap on conventional measures of analysis. Most reasonable expectations of this year's earnings leave its forward multiple languishing at less than six while its dividend yield – at 9 per cent – is about twice the market average. Despite the increasing clarity of its accounts, UK investors continue to harbour an aversion against a leasing company which carries close to £1bn of debt and gearing of 300 per cent on a stock market value of £323m.

On the other side of the Atlantic, Tiphook is seen as a different story. Even though its earnings under US accounting rules are only about half those stated in the UK, its Wall Street followers focus on the strong cash flow and well-covered dividend. Heavy buying by US investors has lifted their holding to 30 per cent and may yet prompt a reassessment in the UK. That, though, would have to await a general economic recovery, when gearing would work in Tiphook's favour rather than against it.

US forces prepare operation to take control of Baidoa

By Julian Ozanne in Mogadishu

US MARINES and army troops were preparing last night to make their first deep land penetration of the starvation-ridden interior of Somalia.

According to US military officials, Marines will start a 24-hour operation this morning to take control of Baidoa, the "city of death" at the centre of Somalia's hunger zone where up to 100 people die daily in the town alone.

US officials said troops would begin moving out of Mogadishu in a 70-vehicle armoured convoy and a score of helicopters today, along the bandit-plagued dirt road between the capital and Baidoa, roughly 150 miles north-west of the capital.

Special forces commandos would move into positions around Baidoa by nightfall to prepare for an assault on the town at dawn tomorrow. In total 600 to 700 troops, including a small contingent of French forces, would be used.

Gen Robert Johnston, US commander of "Operation Restore Hope", has been reluctant to move out of the capital quickly, to respond to calls of aid workers in Baidoa who are under virtual siege at night by gunmen on a final orgy of looting and plunder.

But officials said yesterday the general now feels he has enough troops and equipment on the ground to fan out into the interior and begin the real mission of the US-led force – providing security for delivery of food to up to 2m starving Somalis.

In Mogadishu, confusion was still evident among US forces about their exact role in disarming bandits, freelance gunmen and rival clan-militias. Col Fred Peck, the Marines' spokesman, said he had received no orders to disarm Somalis and described the policy on disarmament as a "very ambiguous situation".

He was speaking after Mr Boutros Boutros Ghali, the UN secretary general, said at the weekend that President George Bush had discreetly promised to disarm the warring factions.

In Stockholm on Sunday, Mr Lawrence Eagleburger, US secretary of state, said US troops would try to remove the weapons of armed militias and dismantle mines only in pursuit of their primary goal of feeding people.

Michael Littlejohns adds from New York: Mr Boutros Ghali in New York played down any policy difference with the Americans. Insisting that there was "perfect co-operation" between the UN and the unified command and that any problem would be easily solved, he also noted that the operation had only just begun and would be a subject of continuous consultation.

As the UN must also be consulted before coalition troops could withdraw, he would try to ensure there was adequate security in Somalia to enable the world body then to begin a new peacekeeping operation and efforts at national reconciliation.

Soldiers bring security to the Somalia aid effort, Page 3

Big gain for Lombard League in Italian poll

By Robert Graham in Rome

THE populist Lombard League yesterday convincingly demonstrated it had become the largest party in northern Italy at the expense of the ruling Christian Democrats and Socialists.

The municipal elections covered 55 municipalities and the province of La Spezia. Traditionally, the municipal vote in Italy has mirrored allegiance in general elections; and with more than 1m voters this was the first key test of the political parties since general elections in April.

On the basis of early returns, the League looked set to win more than 35 per cent of the vote in Varese, the home town of Mr Umberto Bossi, the League leader, and 33 per cent in Monza.

If this trend is confirmed, it will mean almost a doubling of support in two years for the League which campaigns against government corruption. Elements of its policies are rightwing, although it could form a coalition with the Communists, and it could now aspire to run the Varese and Monza local administrations. Both these cities in the Milan industrial region were regarded as the benchmark of rising support for the League and the eclipse of the traditional parties.

Voters' disenchantment with the Christian Democrats and Socialists, the principal partners in the Amato four-party coalition government, increases the pressure on these two parties to reform themselves and provide new leadership. Attention is likely to focus in particular on Mr Bettino Craxi, the Socialist leader, whose credibility has been badly damaged as a result of the corruption scandal in his home base of Milan.

The success of the League also appeared to extend further south to Liguria's province of La Spezia where the movement's 2 per cent vote in municipal elections two years ago rose to more than 14 per cent. Nationwide, the Socialist party fared the worst, confirming the damage done to its credibility as a result of the Milan scandals. In many instances, even in the south where it has had a strong base, the Socialist party saw its share of the vote fall to less than 7 per cent.

The Christian Democrats' vote only held up in the south, where the neo-fascist MSI party made considerable advances.

Scare tactic by Russia stuns

Continued from Page 1

to Russia, was also unamused: "An international forum is not the place for such behaviour," he said.

Mr Anatolyi Zlenko, the Ukrainian foreign minister, said: "Maybe Mr Kozyrev has a sense of humour, but it is dangerous to use such tactics." Mr Kozyrev's speech was "like smoking – dangerous to health," said Mr Lawrence Eagleburger, the US secretary of state, lighting another cigarette.

In his first speech, Mr Kozyrev said: "We clearly recognise that our traditions in many respects, if not fundamentally, lie in Asia, and this sets limits to our rapprochement with western Europe." He accused Nato and the nine-nation Western European Union defence organisation of drawing up plans to strengthen their military presence in the Baltic and other regions "on the territory of the former Soviet Union" and of interfering in Bosnia and the internal affairs of Yugoslavia.

He He said the former Soviet Union was "a post-imperial space", in which Russia had to defend its interests, if necessary by military means.

Brussels to probe BA takeover of Dan-Air

By Paul Betts, Aerospace Correspondent, in London

THE European Commission has launched an inquiry into the competitive implications on air services between Belgium and the UK of British Airways' acquisition of Dan-Air, the financially ailing UK-based regional carrier.

The unexpected move, after an earlier Commission decision not to investigate the takeover, is a setback for BA at a time when the UK carrier is seeking to win Washington's approval for its $750m acquisition of a 44 per cent stake in USAir. The US government is expected to announce a decision on the BA-USAir deal in the next 10 days.

BA, which last week also made a bid for a 25 per cent stake in Qantas, the Australian carrier, yesterday described the inquiry as "totally unjustified" because of the high level of competition on the London-Brussels route.

Sir Leon Brittan, European Community competition commissioner, announced last month there would be no inquiry into the takeover because Dan-Air's annual turnover was less than Ecu 250m ($311m), the trigger for an investigation under EC merger regulations.

BA, which took over Dan-Air for a nominal £1 and assumed the airline's liabilities, is now restructuring Dan-Air's operations as part of a new low-cost airline based at London's Gatwick airport.

Belgium, however, invoked a special clause never before used in the two-year-old EC merger regulations to prompt an investigation of the deal. Article 22 of the merger regulations allows any member state to request an inquiry into the effects of a merger or takeover on competition on their national territory.

The Commission, which has a month to reach an initial verdict, confirmed the inquiry would only assess the impact of the BA takeover on the Belgian market.

However, it is now likely to be seized upon by other opponents of the takeover to renew calls for a broader investigation. UK carriers Virgin Atlantic and British Midland had both unsuccessfully sought an EC inquiry and a referral of the deal to the UK Monopolies and Mergers Commission.

World Weather

		°C	°F
Ajaccio	F	13	55
Algiers	S	20	68
Amsterdam	C	9	48
Athens	C	7	45
Bahrain	F	22	72
Bangkok	C	32	90
Barcelona	F	12	54
Beijing	S	5	41
Beirut	F	18	64
Belfast	R	9	48
Belgrade	F	7	45
Berlin	C	9	48
Biarritz	S	11	52
Bombay	S	30	86
Bordeaux	S	7	45

		°C	°F
Boulogne	Dr	9	48
Brussels	C	9	48
Budapest	Sl	2	36
Buenos Aires	R	30	86
Cairo	C	19	66
Cape Town	F	21	70
Caracas	F	29	84
Casablanca †	F	18	64
Chicago †	C	-2	28
Cologne	C	9	48
Copenhagen	C	8	46
Corfu	S	13	55
Dallas †	R	7	45
Dublin	S	11	52
Dubrovnik		-	-
Edinburgh	F	11	52
Faro	S	15	59
Florence	F	6	43

		°C	°F
Frankfurt	C	6	42
Geneva	S	4	39
Gibraltar	C	15	59
Glasgow	F	11	52
Helsinki	C	-2	28
Hong Kong	S	23	73
Innsbruck	S	0	32
Inverness	S	10	50
Islamabad	F	18	64
Istanbul	H	4	39
Jakarta	R	31	88
Johannesburg	F	25	77
Lisbon	S	10	50
London	C	9	48
Los Angeles †	S	7	45
Luxembourg	C	4	39
Madeira	C	14	57
Madrid	S	9	48

		°C	°F
Majorca	C	16	59
Malaga	F	15	59
Malta	S	16	61
Manila	F	32	90
Melbourne	C	16	61
Mexico City	F	20	68
Miami †	F	16	61
Milan	C	2	36
Montreal †	S	-4	25
Moscow	C	-1	30
Munich	F	7	45
Nairobi	F	24	75
Naples	S	14	57
Nassau	C	24	75
New Delhi	S	19	66
New York †	C	2	36
Nice	S	13	55
Nicosia	C	14	57

		°C	°F
Oporto	S	15	59
Oslo	Fg	1	34
Paris	C	8	46
Prague	C	3	37
Reykjavik	F	-6	21
Rhodes	F	10	50
Rio d'Janeiro	F	29	84
Rome	S	14	57
Salzburg	F	9	48
S Francisco †	F	10	50
Seoul	S	-1	30
Singapore	F	30	86
Stockholm	Sn	0	32
Strasbourg	C	4	39
Sydney	F	27	81
Taipei	C	19	66
Tangier	F	16	61
Tel Aviv	S	17	63

		°C	°F
Tenerife	S	21	70
Tokyo	F	13	55
Toronto †	S	-10	14
Tunis	F	16	61
Valencia	S	15	59
Venice	F	6	43
Vienna	R	4	39
Warsaw	C	1	34
Washington †	C	3	37
Zurich	S	2	36

Temperatures at midday yesterday
† Noon GMT temperatures
C – Cloudy Dr – Drizzle
F – Fair Fg – Fog H – Hail
R – Rain S – Sunny
Sl – Sleet Sn – Snow
T – Thunder

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COMPANIES & MARKETS
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INSIDE

Toyota warns of decline in profits

Toyota Motor, Japan's leading carmaker, has warned of another sharp decline in profits in the year ending June as a result of sluggish sales in its home market. Pre-tax profits are expected to slide about 20 per cent to Y300bn ($2.4bn) in the year to the end of June, the third year of declining profits. Page 19

Lifeline for cockle gatherers

The threat of closure hanging over one of Wales's most ancient industries appears to have been removed. The cockle gatherers of Penclawdd had feared that new EC hygiene directives, due to come into force on January 1, would effectively put them out of business, summarily ending their centuries-old trade. But the government now seems to have thrown them a lifeline. Page 30

Japan lifts the world

There was a Nordic flurry last week as the devaluation of the Norwegian crown took place, but Europe's big bourses reflected industrial recession. It took a 1.7 per cent rise in Japan to leave the FT-Actuaries World Index with a 0.4 per cent gain. Back Page

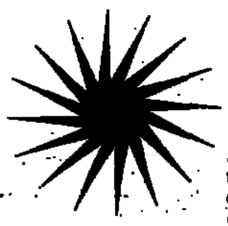
Surprise sell-off in Austria

It is a bit late in the day, but Austria seems finally about to undertake a serious privatisation programme. This may come as a surprise to those who know that the Austrian government has sold big stakes in its holdings of banks and companies. Page 18

Time Warner to cut borrowings

Time Warner, the US media and entertainment group, is hoping to reduce its $9bn borrowings by a third over the next two or three years by either selling assets or issuing asset-backed bonds. Page 20

Assault of Fred 3



Fred 3, the draft on capital instruments issued last week from the Accounting Standards Board, will assault companies' balance sheets. For example, the 1991 annual report of BET, the business services company, shows £189m ($296m) in share capital and £437.4m in the share premium account. However, when the accounts are recast as suggested by Fred 3, they show equity shareholders' funds of £186.1m, and £152.9m in the share premium account. Page 24

Housebuilder bucks the trend

Berkeley Group, the Surrey-based housebuilder, continued to buck the sector trend with a 27 per cent increase in first-half profits; the interim dividend goes up 10 per cent. The group also said it plans to increase investment in UK commercial property. Page 23

Market Statistics

Companies in this issue

Chief price changes yesterday

FRANKFURT (DM)				PARIS (FFr)			
Rises				Rises			
Rheinmetall	253	+	12	Essilor	398.9	+	16.9
Falls				[illegible] de France	775	+	35
Asko	855	-	19	Ocean	108	+	10
Bil & Berg	787	-	22	Sidi Ross	764	+	54
Kaufhof	393	-	12	Falls			
Kloeckner	41	-	17.5	Cred Fonc	800	-	20
Rosenthal	202	-	8	Fenwal	285	-	15
NEW YORK ($)				TOKYO (Yen)			
Rises				Rises			
Chrysler	32½	+	½	Baben Kanko	190	+	23
Microsoft	88¼	+	1⅝	Hitachi Elec	1200	+	100
PSI Resources	19⅞	+	⅝	Sansui Elec	231	+	25
Falls				Takasago Thrm	220	+	19
Gen Motors	33	-	½	Takisawa			
Glacier Water	10¼	-	2¼	Machine	290	+	27
Harley-David	35	-	1½	Yokohama Mat	460	+	72

New York prices at 12.30pm.

LONDON (Pence)							
Rises				Sherif	76	+	5
Allen	90xd	+	13½	Sleepy Kids	33	+	6
Automated Sec	130	+	12	Liberme	20	+	3
Berkeley Grp	290	+	30	Wtenoy	10	+	3
Bettervare	133	+	13	Falls			
Cable & Wire	667	+	20	Anglo United	6	-	1½
Clifford A	125	+	11	Britannia	34	-	4
Crosseck	173	+	19	Dawson Intl	213	-	17
Devenish (JA)	254	+	15	Ladbroke	169	-	11
Ferranti Intl	10	+	1¾	Marchet Retail	14½	-	2
Greig Ship A	137	+	14	Tadpole Tech	175	-	15
Macmcott	199	+	10	Wace	77	-	9
Resort Hotels	29	+	3½				
Sanderson Elec	272	+	20				

Deal takes funds under management at Scottish Provident to more than £4.25bn

Hafnia sells Prolific to UK mutual

By Richard Lapper in London

SCOTTISH PROVIDENT, the medium-sized mutually owned life insurance company, yesterday announced conditional agreement to buy Prolific, the UK life insurance subsidiary of Hafnia, the stricken Danish insurer, for £81.75m ($124.18m).

The deal is one of the biggest acquisitions by any mutually owned insurer in recent years and increases funds under management at Scottish Provident from more than £3.1bn to more than £4.25bn.

The first of a series of disposals planned by Hafnia since it suspended payments to creditors and transferred its assets to a new holding company in August, it ends a period of uncertainty for the Kendal-based Prolific.

Mr David Woods, managing director of Scottish Provident, described the deal as a "perfect match" and said the companies' product lines were "very complimentary".

Both companies generate most of their sales through independent financial advisers, but while Edinburgh-based Scottish Provident is known for its strength in the with-profits area, Prolific is stronger in the unit-linked, unit trust and PEP sectors.

Scottish Provident is particularly prominent in the market for single premium with profits investment products, in which it has a share of between 4 and 5 per cent.

Sales of single premium products increased by 274 per cent to reach £374m in the first nine months of 1992. New worldwide annual premiums rose by 7.5 per cent to reach £29m in the same period.

Prolific's three operating companies consist of a Kendal-based life insurance company, a London-based fund manager and an Isle of Man-based offshore life insurer.

Scottish Provident will pay an initial consideration of £75.5m on completion with a further payment of £6.25m on the first anniversary.

The acquisition will be financed in cash entirely from existing resources. Cash in excess of £20m is also included in the Prolific businesses.

The overall consideration paid, allowing for this cash, reflects a discount to the embedded value of the two principal life companies being acquired. In addition, the investment management company is also included in the overall price.

Scottish Provident's actuarial assessment of Prolific, by R Watson and Sons, showed the value of future profits on business already on the company's book to be "well in excess of £60m", said Mr Woods.

David Nisbet, analyst with County Nat West, said the deal contained "strategic benefits" and "looks reasonable value".

Mr Woods said that concern about the financial strength of Prolific by the US rating agency, Standard & Poor's, "had more to do with the fragility of Hafnia" than Prolific itself.

S & P last week listed Prolific as one of four "vulnerable" life insurance companies. Mr Woods said the company was "strongly reserved".

Meanwhile, Hafnia is continuing to look for buyers for its Danish general and life insurance businesses.

It emerged last week that Skandia of Sweden was one of three companies interested in acquiring these companies.

Maggie Urry on the good cheer that the UK Christmas sales period traditionally brings

Retailers hope for the merry ringing of tills

As Father Christmas harnesses his reindeer on Christmas Eve, UK retailers up and down the land will be counting their seasonal takings.

Christmas is the vital trading period for most non-food retailers in the UK, and some make as much as 90 per cent of their annual profits at this time. "Christmas makes or breaks the bottom line for almost every retailer," says Mr John Richards, retail analyst at County NatWest WoodMac.

Five years after retailers first began talking about recession, this year's concern that some troubled retailers could fail if Christmas is poor is likely to prove unfounded.

Most large chains have already taken the necessary actions – the likes of Next, Burton and Storehouse have seen their share prices soar this year. A question mark does hang over Ratners, the jewellery group, particularly after the recent sudden resignation of its chief executive.

Small independent retailers are less likely to have built up the unwieldy cost structures that have caused headaches for the large chains. Stores in some sectors, such as do-it-yourself, are not heavily dependent on Christmas.

Trade this Christmas will be scrutinised for signs of recovery in consumer spending. Yet, however low the level of consumer confidence, a build-up in sales in the weeks leading up to Christmas is guaranteed, as the chart of retail sales shows.

In BhS, the Storehouse chain store subsidiary, sales in the peak Christmas trading week are around three times those of the lowest week of the year, and even a "bad" Christmas would have a ratio close to that.

At Argos, the catalogue store retailer, the five weeks before Christmas provide about a quarter of the year's volume of sales. Mr Bob Stewart, finance director, says the difference between a "good" and "bad" Christmas is only a few percentage points in volume terms. Mr Richards says: "Curiously, there has not been a bad Christmas [in recent years]. Last year there was a lot of discounting but there is never an enormous drop in volume."

The essential question for retailers is whether the high level of sales will translate into high profits. Argos's quarter of annual sales volume translates into about two-thirds of annual profits. For Ratners, Christmas has represented as much as 90 per cent of annual profits in past years, and Woolworths, part of the Kingfisher group, makes its entire annual profit between October and January.

Even a chain such as Boots the Chemist, which sells everyday items bought all year round, makes around half its year's profits in the Christmas selling period, with W H Smith, the newsagent and stationer, making a third.

Sales made at Christmas are highly profitable because of the operational gearing effect of the high fixed overheads in retailing. As the table shows, the peak week's sales produce a much higher net profit margin on the same gross margin, as fixed overheads are spread equally over the year.

Although there are some extra costs in the Christmas period – such as staffing – the net margin is much higher. Every extra transaction makes a higher and higher net margin until, as Mr Stanley Kalms, chairman of Dixons, the electrical retailer, says, "by Christmas Eve the gross margin comes through to the net".

Profits depend, though, on the gross margin being held. Mr Robert Shrager, finance director of Dixons, says: "Christmas is really a matter of expectations versus reality. If you expect it to be bad and it is bad than that's not bad. But if you expect it to be good and it's bad, that's bad."

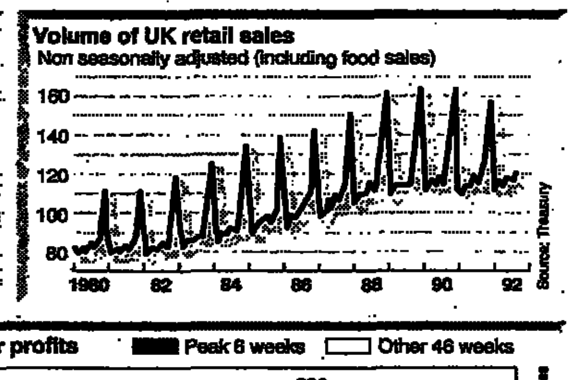
If retailers build stocks for Christmas and find they are not selling they will sacrifice margins one way or another. This year they appear to have been cautious about stock levels.

In recent Christmases retailers have resorted to price cutting to shift stock. That cuts into margins making the period less profitable than it should have been. Last year there was a general dip in sales in November and by the start of December the discounting was well under way, including the now infamous ploy by Ratners to cut prices by 25 per cent on Saturdays. This year discounting activity appears to be more selective.

Most shops will open on the last three or four Sundays before Christmas this year, although Marks and Spencer and John Lewis have taken a principled stand against the trend. Marks and Spencer shops are opening long hours on the other days though, with some in shopping centres staying open until 10pm.

Temporary reprieve, Page 18

Christmas bonanza



Effect of Christmas trading on full-year profits

	Peak 6 weeks	Other 46 weeks
Sales	£20m	£80m
Gross profit	£10m	£40m
Costs	£5.8m	£36.2m
Pre-tax profits	£4.2m	£3.8m
% of full-year profits	52.5%	47.5%
Net profit margin	21.0%	4.75% (full year 8%)

Source: Robert Fleming Securities

Domestic products alliance expands

By William Dawkins in Paris

A PROJECT to create a European alliance of domestic appliance makers to compete against the growing concentration of power in the white goods industry yesterday received its finishing touch.

Océan, the last independent Italian maker of home appliances, with annual sales of FFr3.2bn ($600m) mainly in refrigerators, washing machines and cooking equipment, became the fourth member of a group started two years ago by the French, state-owned Thomson Electroménager and the leading Spanish white goods group, Fagor. The other member, which joined in June, is General Domestic Appliances, the Anglo-American group jointly owned by GEC of Britain and General Electric of the USA.

The four partners have a combined turnover of FFr16.7bn, of which the largest slice, FFr6bn, comes from Thomson Electroménager. With a combined 19.3 per cent share of the European market, they have the second biggest share after Electrolux-AEG, the German-Swedish combine, which has 24.5 per cent.

Yesterday's move is part of a trend among white goods producers towards joining forces in various forms, with the 1988 acquisition of Philips' domestic appliances businesses by Whirlpool, USA, and last June's joint production and development deal between Electrolux and AEG.

The French-led alliance, which was called Temfa until being renamed Eurodom yesterday, exists to allow its members to seek economies of scale in what is a high-volume, low-margin business. They will pool their combined FFr9bn per year purchases of components, share some research and development, and exchange market information and products. The original members had already seen an improvement in domestic market share, said Mr Henri Lagarde, chairman of Thomson Electroménager.

Through the alliance, Thomson Electroménager will be able to sell Fagor or Océan refrigerators, which are typically larger than French ones, under its own label in Spain and Italy. Fagor or Océan will be able to sell Thomson-made washing machines under their own labels.

Eurodom is a so-called European economic interest grouping allowed by EC law for cross-frontier alliances.

German machine tool group Maho talks to rival Deckel

By Christopher Parkes in Frankfurt

MAHO, the stricken German machine-tool group, is in collaboration talks with rival Deckel.

Mr Bodo Viets, Maho chairman, would give no further details for fear of derailing the negotiations.

He told the annual meeting in Munich that group losses in the current financial year would fall to less than DM100m ($66.6m), compared with the DM157m reported in the 12 months to end-June, 1992. The deficit at Maho AG, the German parent, reached DM22m at the half-way mark, he revealed.

Sales, which slumped 31 per cent last year to DM442m, will fall a further 10 per cent in the current year, he added.

The company, which aims to return to profit in 1993-94, is expected to fall under the effective control of a group of eight banks, including Deutsche Bank, Bayerische Vereinsbank and Commerzbank, after the annual meeting approved a complex package which should reduce the holding of the Babel family from around 54 per cent to 25 per cent.

Late last week Maho and Traub announced the merger of their distribution networks. They estimated the deal would save each group DM8.5m in 1993 and twice that in the following year.

The alliance followed the establishment of a similar collaboration, effective from January, between Gildemeister, which lost DM29m in 1991 and Deckel which expects a DM70m deficit in the current year.

The machine-tool industry has been especially hard hit by the investment cuts which have characterised international industry's reaction to recession. With the domestic downturn accelerating – new orders at Deckel were down 6 per cent at the end of September – the need to rationalise is growing more urgent.

Maho, which in the past year reduced its workforce by a third to 2,320, has introduced widespread short-time and plans a further reduction of 400 places during the current year.

Six months ago, collaboration at any level between direct competitors such as Maho and Deckel would have been almost unthinkable.

Mr Viets, who said talks were also under way with other companies, noted that a merger with Deckel would have grave consequences because plants would have to be shut.

Fisons sells UK healthcare unit

By Paul Abrahams in London

FISONS, the pharmaceuticals and scientific instruments group, yesterday continued its restructuring with the sale of its UK consumer healthcare business to Hoffmann-La Roche of Switzerland for £90m ($140m). Fisons shares rose 2p to 212p.

Fisons' consumer healthcare business, which included over the counter (OTC) products such as Sanatogen vitamins and Radian analgesic, had a turnover of £28.6m last year and generated operating profits of £5m before the allocation of central costs.

Roche acquires the brands and existing stock. Fisons retains £6m owed to the business by debtors. The UK group will also continue to manufacture Sanatogen for nine months and Paracodol, an analgesic, for 18 months until Roche can start production. About 160 employees at Fisons' Loughborough Sanatogen site will then be made redundant. The proceeds from the disposal will be used to cut Fisons' borrowings.

Roche's acquisition will almost double its UK OTC turnover which last year was £30m. The purchase is part of a strategy to expand its presence in OTC medicines. Last year Roche acquired Nicholas, the European OTC business of the US group Sara Lee, for $790m. Roche's worldwide OTC business should generate sales of SFr1bn ($709m) this year. Roche is anxious to exploit the market as governments switch products from prescription to OTC status.

Fisons's move follows the sale last month of its US and Canadian consumer health businesses for $140m to Ciba-Geigy Corporation, the US subsidiary of the Swiss chemicals group.

The UK group still has to sell its Australian, South African and French consumer health operations. However, Mr Roy Thomas, finance director, said the group was considering a number of bids.

Fisons is also looking to sell its horticultural business which has a turnover of about £85m.

Mr Thomas said Fisons was talking to other groups about collaborating in fields such as manufacturing, marketing and drug development. The group is talking to one US company which might manufacture Imferon, Fisons' blood product. Imferon was withdrawn from the US in 1990 following quality control concerns.

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Tiphook raises payout despite drop in profits

By Angus Foster in London

TIPHOOK, the UK freight container and trailer rental company, yesterday raised its interim dividend 11.4 per cent in spite of a fall in profits.

Pre-tax profits fell 10 per cent to £35.2m ($53.5m) from £39.2m in the six months to October 31. The container division performed well but the trailer rental division was affected by UK recession and a weakening in Germany.

Mr Robert Montague, chairman, said the second half of the year, which is the more important, had started well with signs of improvement in the UK. "We're going to have the best Christmas for two years," he said.

The dividend increase, from 4.4p to 4.9p, was a continuation of Tiphook's policy of raising dividends now that a period of heavy capital expenditure has been largely completed. The increase, which followed a 25 per cent rise last year, lifted Tiphook's volatile shares 10p to 294p, compared with this year's high of 476p.

Turnover increased 6 per cent to £170.7m while operating profits grew less than 1 per cent to £62m.

The container division's sales increased 11 per cent to £94.6m, helped by strong growth in intra-Asian trade. But operating profits increased only 3 per cent to £45.6m. Rental rates were steady, but delays integrating new capacity led to a 3 per cent fall in utilisation rates to 85 per cent.

The trailer rental division was hit by lower utilisation rates because of recession, but rental rates improved 9 per cent. The division incurred a pre-tax loss of £1.8m compared with a profit of £300,000. Tiphook's rail freight division reported a pre-tax loss of £400,000, which included a £600,000 provision against Charterail, the private freight operator which collapsed in August.

Net borrowings increased more than £150m to £828.3m. More than £100m of the rise was because of higher US dollar conversion rates following sterling's fall. The gearing ratio increased from 2.8 times to 3 times shareholders' funds but remained "comfortably" within banking requirements, the company said.

Interest charges increased 12 per cent to £26.9m, with interest cover falling from 2.6 times to 2.3 times. Earnings per share fell from 26.1p to 22.4p. Capital expenditure is expected to be £90m this year, compared with £228m last year.

Lex, Page 16

COMPANY NEWS IN BRIEF

PETROFINA, Belgium's largest industrial company, said it cut 1992 capital spending by 10-20 per cent compared with an initial budget of BFr52bn ($1.6bn), following an expected sharp fall in 1992 profit.

The company said it had drawn up a capital spending budget of about BFr40bn in 1993, but gave no precise estimated final spending figure for 1992.

The budget will focus on installing facilities at the group's Antwerp refinery and on continuing to develop oil fields in the North Sea, due to come on stream in 1993 and 1994.

● ABN Amro, the Netherlands' largest banking group, expects to make a public tender offer at between Fl 15 and Fl 16 a share for the stock it does not already own in Breevast, the property investment group, AP-DJ reports from Amsterdam.

"The talks... at present have advanced to the point at which an agreement can be reached for a public tender offer by ABN Amro for all the shares and stock certificates outstanding of Breevast," ABN said.

The Dutch bank added that it holds about 21 per cent of Breevast's total shares outstanding. The company did not give a time frame for the start of any offer.

Total warns of steep fall in earnings for year

By William Dawkins in Paris

TOTAL yesterday became the second of France's two oil companies to forecast a steep profits decline for the year, when it warned net earnings in 1992 would drop by more than the 47 per cent decrease recorded in the first six months.

Mr Serge Tchuruk, Total's chairman, told a shareholders' meeting the first-half fall would be "confirmed or slightly exceeded in the full year", prompting a fall in the share prices of Total and Elf Aquitaine, its French rival.

The squeeze on refining margins over the past year and the dollar's decline, has hit Total harder than Elf Aquitaine, because more of Total's activities are downstream. Elf recently predicted a 35 per cent fall in 1992 profits, citing several reasons including over-capacity in the petrochemicals industry.

Total's forecast includes the impact of a FFr600m ($113.2m) charge for restructuring and writing down the value of some non-strategic assets, as well as the FFr50m it will have to contribute towards repairing a fire-damaged refinery, the rest of which is covered by insurance.

Mr Tchuruk warned the gloomy international economic situation may last through the first half of the year, despite encouraging signs from the US. However, Total planned to maintain its dividend this year unless the oil industry outlook worsened.

KLM expecting no lift next year

KLM, the Dutch airline, faces a difficult 1993, on top of the loss already forecast for this fiscal year, according to Mr Pieter Bouw, chairman, writing in a staff magazine, Reuter reports from Amsterdam.

He blamed fare wars on important routes, the strength of the guilder and the impact of recession on traffic growth for his bleak forecast.

Austria reveals new-found zeal for privatisation

The state seems ready to sell control of most of its holdings and it has given up any dreams of building up Austrian-controlled world competitive giants in finance and industry, writes Ian Rodger

IT IS a bit late in the day, but Austria seems finally about to undertake a serious privatisation programme.

This news may come as a surprise to those who know that the Austrian government has in the past few years sold off significant stakes in its vast holdings of the country's leading banks and industrial companies. But in almost all of these cases, the government has retained majority or voting control. Given the strong socialist – some would say collectivist – strain in Austrian management-labour-government relations, it probably would have continued to do so if the recession had not rudely disrupted its plans.

The event that provoked the policy shift was the revelation earlier this year that Austrian Industries, a conglomerate of metal and oil companies that was being readied for Austrian-style privatisation, had plunged into heavy losses. That meant the government, which was counting on the proceeds of a partial sale of AI equity to help cover its deficit, had to resort to more radical measures.

Now, with a couple of exceptions, it seems ready to sell control of most of its holdings. And it has given up any dreams it may still have held of building up Austrian-controlled world competitive giants in finance and industry.

"The state has to look to what it can release," said Mr Viktor Klima, the minister responsible for nationalised industries.

While this statement would seem a truism in most western countries, it is nearly revolutionary in Austria where state ownership is still widely seen as a defence against foreign ownership and as a necessary pre-condition for the cosy and usually effective social partnership among government, industrial management and labour that has prevailed in the post-war period.

Indeed, the partnership worked so well that Austrian leaders totally rejected the privatisation trend when it caught on elsewhere in the early 1980s.

It was only in 1985 when the sprawling steel and engineering group Voest Alpine suffered large losses on unauthorised speculation in the London oil market that serious questions began to be raised about who was actually in charge. The result was a significant shift towards more commercial disciplines – the creation of AI, massive rationalisation at Voest Alpine and flotations of a minority of shares in leading banks, such as Creditanstalt and the former Länder Bank, and utilities, such as the Verbund and EVN.

But the government always maintained control and the social partnership continued more or less intact. The only real addition in many cases was an ill-fated international ambition. This was particularly true at the leading banks, most of which came to grief with expansions in London and New York in the late 1980s.

As late as last year, Mr Rudolf Streicher, the former nationalised industries minister, could say of AI: "Our aim is an Austrian dominated industrial concern whose managers have to report to Vienna and Linz and not to Amsterdam and Tokyo."

Today, Mr Streicher's successor, Mr Klima, points out that AI's problems stem largely from over-investment abroad. "In the past five years, it invested more than Sch20bn ($1.8bn) more than its cash flow. That is why it got into trouble."

The first application of the new policy is on AI itself. Instead of being readied for flotation as a single large group, it is now being stripped down to its core metal and engineering businesses, most of them inherited from the old Voest Alpine. Other activities are being privatised separately.

In particular, OMV, the large oil and chemicals group which is one of the two main sources of AI losses this year, is being detached and restructured. Under a new chief executive, it is withdrawing from some of its international ventures and concentrating on becoming a leading player in central European oil products markets.

Large minority blocks of its shares are to be offered to potential strategic partners, such as international oil or chemical companies, next year.

Austria Metall (AMAG), the aluminium group which was the other source of AI's losses, is being drastically cut. Its Austrian smelter has been shut and participations in at least two of three overseas smelters are to be sold. Its successful packaging business is up for sale and it is looking for partners for its extrusion and forging divisions.

Other smaller AI subsidiaries are to be sold, floated or put into joint ventures with foreign partners. Last month, shares of Voest Alpine Eisenbahnsysteme (VAE), a small subsidiary of AI that makes high technology railway points (switches), were offered to the public. AMS, a specialised semiconductor maker, is on the ramp to follow early next year.

Mr Klima still seems determined to sell off some of AI within the next year and it could be possible. AI executives are making optimistic noises about their steel and steel-related technology businesses. But he says that unless equity markets improve, the first step will probably have to be a private placement of 10 to 20 per cent of the equity.

In all of these cases, except OMV, the government is prepared, at least in principle, to sell a majority of its holdings. Mr Klima, OMV's finance director before he joined the government last spring, says the oil company is vital to Austria's energy security.

The government also seems willing to give up its control of the big banks.

Speculation has been rife in Vienna for weeks of the government selling a part of its 49 per cent stake in Creditanstalt to a foreign company. And it confirmed that Mr Ferdinand Lacina, the finance minister, had discussions in September with General Electric of the US, among others.

But as always in Austria, the implementation of this new enthusiasm for real privatisation may not come quickly.

It is notable, for example, that the flotation of VAE involves only 49 per cent of the shares. Sources close to the issue say the anxieties of the trade unions prevented it from being higher.

Which goes to show it is still not easy for commercial values to make headway against the social partnership.

UK retailers seek temporary reprieve from rent

By Vanessa Houlder in London

FOR hard-pressed UK retailers, the importance of Christmas is not just the seasonal boost to sales.

It is also one of the year's quarter days, when the rent falls due.

This year, the strains on overstretched traders have been evident in their attempts to persuade landlords to relieve their rent burden for a temporary period.

Many landlords are taking a sympathetic approach, as long as they had full access to the tenant's books and they were convinced of the company's sincerity.

"We are doing a lot of deferment deals," said Mr John Parry, managing director of Hammerson, which is one of the largest property companies in the UK.

"We don't forgive rent but we will help tenants through a difficult cash flow period," he added.

The most notable example is Ratners, the jewellery chain, which met with a mixed response from landlords when it asked to defer rent payments to finance its Christmas stock.

Some believed it was worth helping the company out rather than being left with a lot of shops they were unable to let.

Others were sceptical that a quarter's rent would be make-or-break for Ratners and wished to collect their debts while they could.

As landlords grapple with record numbers of empty shops, they are watching the fortunes of traders with particular care.

"The pre-Christmas period is critical," added Mr Parry.

The landlords' concern about their unlet properties is prompting many to sign up retailers, typically selling items such as gifts, bargain books and cards, on leases of just a few months.

"The short-term letting market has been very buoyant indeed," said Mr Graham Chase of Erdman Lewis International, the property advisers.

The attraction for the tenant is that it can test the market and benefit from Christmas sales.

The landlord benefits from a livelier shopping centre, reduced outgoings and the possibility that the tenant will decide to take a permanent lease.

However, other tenants often object to the newcomers taking away their business, without supporting the overheads throughout the year.

Even if retailers do well over the Christmas period, their landlords will have to work increasingly hard to stand still.

Many empty shops have been filled with specialist retailers which have expanded with the help of rent-free periods and cash payments from desperate landlords – only to collapse when these incentives have run their course.

However, by March quarter day, several more retailers in the UK are likely to have disappeared, regardless of whether the Christmas trading period is successful or not.

Toyota warns of further sharp profits decline

By Steven Butler in Tokyo

TOYOTA Motor, Japan's leading car maker, yesterday warned of another sharp decline in profits in the year ending June as a result of sluggish sales in the Japanese market.

Mr Tatsuro Toyoda, president, said Toyota's parent-company pre-tax profits were expected to slide by about 20 per cent to Y300bn ($2.4bn) in the year to the end of June, the third consecutive year of declining profits.

With Toyota, Japan's most efficient and profitable car company, revising profits projections downward, a shadow has been cast over the rest of Japan's car makers, who may also be forced to lower their profits forecasts again.

Already, Nissan is expecting a Y20bn net loss for the year to the end of March, while Mazda has been struggling to stay in the black.

Mr Toyoda said the decline reflected both weak total sales volumes and poor sales of more profitable luxury models. Profits since the end of the last fiscal year have been runnng roughly 30 per cent below a year ago.

In August, Toyota had projected a sales increase of 5 per cent and level profits. Toyota said yesterday that the value of sales would increase only marginally to Y9,000bn.

Tatsuro Toyoda: places the blame on sluggish sales

The projected profits will be the lowest since the company merged its manufacturing and sales operations in 1982, and compare with record pre-tax profits of Y733.9bn in the year to June 1990.

But Toyota said it anticipated a modest recovery in vehicle sales in the first half of calendar 1993. Overall, Toyota expects the volume of domestic sales to decline by 5 per cent this year, and anticipates a 3 per cent growth in sales next year.

Sanyo Securities to shut three foreign offices

By Emiko Terazono in Tokyo

SANYO Securities, the second-tier Japanese broker, is to close three overseas offices. It will close subsidiaries in Paris and Melbourne and its representative office in Frankfurt at the end of this month.

While all Japanese securities houses are under pressure to cut costs due to low volumes on the Tokyo stock market, profits at second-tier houses, which rely on retail business, have been hit severely.

The announcement comes as all Japan's second-tier brokers are losing money, and when ties between smaller brokers and larger houses have been strained by problems at leading brokers.

Sanyo said seven local employees in Paris, and two in Melbourne would lose their jobs. The closures will scale down Sanyo's overseas network to five subsidiaries and two representative offices.

Toshiba in technology deal with US group

By Steven Butler

TOSHIBA, the Japanese electronics company, and National Semiconductor, of the US, yesterday announced an alliance aimed at developing a market for Toshiba's proprietary technology for flash memory devices, semiconductors which retain information when the power is switched off, much like hard disk drives.

Flash memory is one of the hottest products in the electronics industry and is expected eventually to replace disk drives and other magnetic recording devices in a wide range of portable electronic equipment.

Sales have been dominated by a technology developed by Intel of the US, which dominates the world's microprocessor market.

Although Toshiba is credited with inventing flash memory, its design of flash memory has proved more difficult to develop into useable products.

The company earlier this year formed an alliance with IBM, in which Toshiba would share its flash memory technology, while IBM would share technology for a controller device allowing high-speed read and write functions.

Toshiba and National Semiconductor said yesterday the Toshiba technology was most suitable to replace hard and floppy disk drives in computers and workstations.

Under the terms of the deal, Toshiba will licence its technology to National Semiconductor and will have rights to derivative technology developed by National Semiconductor.

Toshiba said a principal motivation for the deal was to encourage development of the market for its technology by developing a second source of supply for would-be users.

The agreement follows a common pattern of deals between US and Japanese semiconductor makers, who have sought shelter from the risks of the semiconductor business by working together.

Indonesia issues threat to liquidate Bank Summa

By William Keeling in Jakarta

THE Indonesian government said yesterday it would liquidate troubled Bank Summa within two days unless the Soeryadjaya family, its owners, injected new capital. Brokers saw the move as forcing the family to sell their majority holding in Astra International, Indonesia's dominant automotive company, to raise finance.

The suspension of Bank Summa in mid-November, with debts of more than Rp1,000bn ($487m), has brought into question the health of Indonesia's banking sector, caused customers to withdraw deposits from three other banks and led to heavy selling pressure on the Jakarta stock market.

"If there is no fresh money being injected, the government will act to liquidate Bank Summa in the next one or two days," Mr Murdiono, state secretary, said yesterday.

Diplomats say the statement is likely to have been instigated by President Suharto.

Mr Murdiono added the government would not allow the Soeryadjayas to borrow further from domestic banks and would oppose the Soeryadjayas' raising offshore finance.

The Soeryadjayas have failed to meet an action plan, agreed in June, to inject new money into Bank Summa, despite raising more than Rp700bn in loans from domestic banks, secured against their Astra shareholding. A Rp500bn loan from a three-bank consortium, headed by state-owned Exim Bank, matures on Friday.

In the last week, the Soeryadjayas have held negotiations with two competing consortia to sell more than 100m Astra shares, over 40 per cent of the company. The consortia are headed by Mr Prajogo Pangestu, a timber businessman with political connections, and Mr Hashim Djojohadikusumo, son of Mr Sumitro Djojohadikusumo, appointed Astra chairman in September.

Bankers to Astra have expressed reservations over some of the potential new shareholders. They say the company's cost of borrowing is certain to increase. Astra has foreign loans of over $900m, of which, brokers say, more than half are scheduled for renewal within the next 12 months.

Arnotts' shares rise as report claims bid is undervalued

By Kevin Brown in Sydney

ARNOTTS, the Australian biscuit company, yesterday released a report valuing its stock at up to A$2.50 a share more than the A$8.80 offered by Campbell Soup, the US food group. Grant Samuel, the merchant bank which prepared the report, said the bid "substantially undervalues Arnotts and is not fair and reasonable". It said the shares were worth A$10.78 to A$11.32.

Arnotts' shares rose nine cents to A$9.20 on the Australian Stock Exchange after the report was released, recovering ground lost after the government allowed the bid to proceed last week.

Campbell said the valuation was unrealistic. "No sound financial analysis can support such a high value for Arnotts. The range is completely out of line with market expectations and analyst valuations."

The report provides support for the Arnotts board, which has called for a "significant" improvement on the Campbell offer. Schroders, the merchant bank which is advising Arnotts, earlier suggested A$12 would be a fair price.

Campbell, which owns just under 33 per cent of Arnotts, is seeking a further 17.2 per cent for a majority stake of 50.1 per cent, but has offered to acquire up to 100 per cent of the stock. The offer values Arnotts at A$1.2bn (US$857m).

DSM in short production cut

By Paul Abrahams

DSM, the Dutch chemicals group, yesterday reconfirmed the dire state of the European petrochemical industry when the company announced it was cutting production temporarily between Christmas and January 1 next year. Petrochemical manufacturers normally try to keep their capital-intensive plants running at full capacity to cover their fixed costs.

The company said it would cut high density polyethylene and polypropylene production because of poor prices and high stock levels. DSM refused to detail the scale of the cutbacks.

DSM's move follows a decision in September to cut ethylene production on one of the trains on its second cracker. DSM has annual capacity to manufacture just over 1m tonnes of ethylene and 220,000 tonnes of high-density polyethylene.

Mr Arthur Spiertz, public affairs manager, said: "DSM is dissatisfied with current market prices and associated profitability levels, so the lower output also serves to support the company's price policy."

The move highlights the plight of the sector, which is suffering from massive overcapacity. Five European manufacturers are expected to introduce an additional 2m tonnes of ethylene capacity between 1991 and 1994.

European operating rates are presently about 85 per cent.

INTERNATIONAL COMPANIES AND FINANCE

Time Warner aims to cut borrowings by $3bn

By Alan Friedman in New York

TIME WARNER, the US media and entertainment group, is hoping to reduce its $9bn borrowings by a third over the next two or three years by either selling assets or issuing asset-backed bonds.

Mr Geoffrey Holmes, the Time Warner vice-president who last week told a New York seminar that the company wanted to "monitise" about $3bn of assets, said at the weekend that the aim was "to improve our balance sheet" by converting certain shareholdings into cash generating assets.

Mr Holmes specified a series of equity investments "that are not presently put through our profit and loss account" as being possible candidates for disposal. While stressing that no decisions had been taken, he said that these investments included:

- A 15 per cent stake – worth about $125m – in Black Entertainment Television, a cable network.
- An 11 per cent stake – worth around $150m – in QVC, the home-shopping cable television network whose most recent investor is Mr Barry Diller, the former chairman of the Fox film and television studio.
- A 50 per cent stake – worth "a few hundred million dollars" – in the Six Flags theme park group.
- A 21 per cent stake – worth about $1.2bn – in Turner Broadcasting, the Atlanta-based group controlled by Mr Ted Turner.
- A 37.5 per cent stake – with a book value in Time Warner's accounts of $175m – in Whittle Communications.

Mr Holmes said that Time Warner may not sell all of these assets. In some cases it may issue bonds backed by the assets, as with its current offer of $500m of zero-coupon convertible bonds backed by Time Warner's 14 per cent stake in Hasbro, the toymaker.

He added that Time Warner had 50 per cent of cable television ventures from New York to Florida and Texas with a total of 1.6m subscribers and which generate about $135m of annual cash flow. Although the value of these cable subscriptions is about $1.5bn, less $400m of related debt, Time Warner might decide to buy out some partners rather than sell its holdings.

This would enable the company to place more cash flow in its profit and loss account.

The Time Warner executive acknowledged that the company's earlier hopes of lowering its debt level by raising $2bn to $3bn from European and Asian partners had not gone as quickly as had been planned after the 1989 merger of Time and Warner Communications. However, he said more international alliances would be unveiled over the next year.

DeCrane to be new Texaco head

By Alan Friedman


Alfred DeCrane: takes over as chief executive in April

TEXACO, the big US energy group, yesterday said that Mr Alfred DeCrane, chairman for the past five years, would take over as chief executive next April, following the retirement of Mr James Kinnear, who has been president and chief executive since 1987.

The 61-year-old Mr DeCrane joined Texaco in 1959 and served in a number of senior positions at the energy group before joining the board's executive committee in 1978.

He became president in 1983 and chairman four years later.

Mr Kinnear, who will be 65 next March, joined Texaco in 1954 and was appointed to the group's board in 1977.

In its third quarter of 1992 Texaco disclosed a 5.9 per cent decline in net earnings.

The company attributed the fall to costs associated with property damage caused by Hurricane Andrew and debt-related expenses.

The drop – from $286m to $269m – translated into earnings per share of 94 cents, down from $1.01 a year ago. However, Texaco argued that without special charges its third-quarter 1992 net would have been $1.10 a share, or $303m.

Revenues in the quarter were 6.9 per cent higher at $10bn.

For the first nine months of 1992, Texaco's net income dropped by 26.4 per cent to $714m on revenues that were 2 per cent lower at $27.97bn.

Horsham takes 100% control of US oil group

By Robert Gibbens in Montreal

MR PETER Munk, the Toronto entrepreneur, has settled his dispute over the future of Clark Oil & Refining, the US oil refiner and distributor, with his long-standing associate, Mr Anthony Novello.

Horsham, controlled by Mr Munk, owns 60 per cent of Clark and has now reached agreement to buy out the 40 per cent minority holding from Mr Novello for US$100m in cash.

Horsham said that it had wanted to buy the Clark minority shares since it first bought control in 1988.

"Horsham will now own 100 per cent of Clark and have unrestricted ability to manage it to maximise shareholder value," said Mr Paul Melnuk, president of Horsham.

Horsham owns 21 per cent of American Barrick Resources, the gold producer which is also controlled by Mr Munk.

This summer Mr Novello, a St Louis oil dealer, succeeded in blocking Horsham's plan to take Clark public.

Clark, which owns two US refineries and nearly 900 retail outlets in the mid-western US, had 1991 revenues of US$2.4bn and profit of US$38m.

Dofasco battles its way back into profit

Robert Gibbens assesses the steel maker's options

DOFASCO, Canada's biggest steel maker and an industry leader until to late 1980s, is battling its way back to profitability and a new niche in the north American market.

The company is shutting a further 1m tonnes of uneconomic ingot capacity at Hamilton, Ontario, Canada's steel capital, and considering a joint venture thin-slab casting mill either in Canada or the US.

Dofasco, which specialises in flat rolled products for the car and appliance markets, was one of the first north American steel makers to adopt continuous casting and until the late 1980s was profitable.

High pay rates kept the United Steelworkers' union at bay, while attrition and early retirements enabled it to introduce automation with the minimum of pain.

In 1988 Dofasco bought Algoma Steel from Canadian Pacific for C$560m (US$438.6m) to build up its raw steel capacity, and continued to spend heavily on all its plants.

But by 1989, north America was sliding into recession. As the steel market faltered, Dofasco was forced to retrench. High interest rates and a strong Canadian dollar, followed by trade disputes with the US, made matters worse.

Dofasco had to write off its Algoma investment.

Last summer Dofasco closed a castings operation and announced early retirement plans to take its payroll to 9,000, down 2,000 in two years. Eventually the workforce would dip below 7,000, it warned.

In the first nine months of 1992, after restructuring charges, Dofasco lost C$98m, or C$1.52 a share, on sales of C$1.5bn, against a loss of C$23m, or 64 cents, on sales of C$1.55bn a year earlier. Shipments rose slightly to 2.5m tonnes.

Dofasco has taken several key decisions.

- It will omit the dividend due January 1 1993 to conserve cash. This follows omissions in the previous two quarters. The preferred dividends will be maintained.
- The No. 1 ingot line will shut next summer. This will lead to a special pre-tax charge of C$150m, to be taken in the final quarter of 1993, and including severance costs for a further workforce reduction of 2,000.
- A considerable offset will come from using a pension fund surplus.
- Annual capacity will fall to 3m tonnes.

The company will decide next year whether to go ahead with a mini-mill costing between C$250m and C$300m. "It would give us competitive high quality flat rolled steel to complement our existing output," says executive vice-president, Mr John Mayberry.

Much may depend on US recovery and the steel trade dispute with the US. The recent US decision to slap heavy duties on steel imports from 12 countries, alleging subsidised prices, could firm steel markets in north America. These countries represent 3-5 per cent of the US hot and cold rolled and galvanised markets.

GM reaches agreement with union on job cuts

By Karen Zagor in New York

GENERAL Motors, the US carmaker which is in the middle of a restructuring, has reached agreement with the United Auto Workers Union which will allow GM to slash thousands of jobs.

The new early retirement plan will be financed by up to $450m in joint UAW/GM joint training funds. The plan targets about 22,000 GM hourly employees who have already lost their jobs but receive full salaries under GM's national contract with the UAW.

The new package lowers the age of retirement to 50 and will be offered to hourly workers who have been at the company for at least 10 years.

As an incentive, GM is offering to contribute as much as $13,000 towards the purchase of a new GM car for employees taking advantage of the retirement plan. GM is also eliminating its income cap so that retired employees will be eligible for full GM pensions even if they find jobs elsewhere.

An earlier salaried employee buy-out programme was extremely popular, allowing GM to push forward its goal of cutting 20,000 salaried jobs by one year, to the end of 1993.

Earlier this month, GM unveiled plans to close nine more North American plants and dispose of about 14 per cent of its automotive components operations. It is estimated that GM could save up to $1bn if those employees now on long-term lay-off accept the retirement plan.

IBM takes stake in software supplier

INTERNATIONAL Business Machines is to acquire a minority equity position in Caseworks, an Atlanta-based supplier of workstation-based application software development tools, AP-DJ reports. Terms were not disclosed.

IBM said Caseworks develops and markets tools for OS/2 and other workstations.

INTERNATIONAL CAPITAL MARKETS

Post-summit firm tone gives way to ERM tensions

By Sara Webb in London and Patrick Harverson in New York

THE SUCCESSFUL conclusion of the European Community summit in Edinburgh at the weekend encouraged some European government bond markets to start on a firm note yesterday. However, prices drifted lower on thin volumes throughout the day as dealers doubted whether tensions within the European exchange rate mechanism have been laid to rest.

Even though the Danish government was pleased with the exemptions for some of the provisions in the Maastricht treaty which were agreed at the weekend, dealers warn that it is unclear how the amendments will be treated in the forthcoming Danish referendum.

■ GERMAN government bond prices closed lower with the Liffe bund future contract falling from a high of 91.63 to end at around 91.51. Dealers noted some selling out of the Far East.

According to a Reuters report, the Bonn finance ministry is considering the issue of a regular federal government bond at the end of the year.

■ THE DUTCH government sold Fl 800m of its new 30-year tap stock at par yesterday, the first day of trading in the new issue.

The Dutch government bond market drifted lower in thin

GOVERNMENT BONDS

trading, but dealers noted interest from domestic buyers in the new issue, the 7¼ per cent bond due 2023. The 30-year stock, which is the first such Dutch bond to be launched since 1964, was quoted at below par during the trading session. The tap sales are expected to continue throughout the week, dealers said.

The money raised from the tap issue will be used to meet the state's financing requirement for 1993. The state said it aimed to raise a total of Fl 10bn with the 7¼ per cent bond, which will be sold in six tranches.

The state has forecast a total financing requirement of Fl 47.2 bn in 1993, against Fl 47.9bn in 1992.

■ FRENCH government bonds closed lower, with dealers pointing to disappointment over the weekend EC summit in Edinburgh. The December futures contract quoted on the Matif exchange fell from 110.46 to 110.08.

■ SPANISH government bonds gained on the release of favourable economic data yesterday showing a 0.1 per cent rise in November inflation.

Mr Carlos Solchaga, the economy minister, was quoted yesterday saying he did not expect an economic recovery before 1994 and revised downwards inflation projections for this year and next. He said Spain had entered a period of disinflation and inflation was expected to be a little below 5.5 per cent this year and less than 4.5 per cent in 1993.

The 10-year 11.30 per cent bond yielded 12.63 per cent, against 12.75 per cent at Friday's close.

■ UK government bonds edged higher in thin trade, but dealers said the Bank of England's latest tap issues – which amount to £700m – are likely to keep a cap on price movements over the next few days. Traders pointed out that calls on two existing stocks may also put a dampener on the gilts market.

The tap stocks include £100m of the 8 per cent Treasury stock due 2002/2006, £250m of the 9 per cent Treasury due 2008, and £350m of the 9 per cent Treasury stock due 2012.

The Liffe gilt future inched up from 99.27 to 99.29 by late afternoon in thin volume, while in the cash market the 9¾ per cent gilt due 2002 rose from 108 15/32 to 109 1/32.

■ JAPANESE government bond prices fell back as hopes of a cut in the official discount rate receded yesterday.

Although the Tankan report, the Bank of Japan's quarterly survey of business confidence released on Friday, painted a gloomy picture of the Japanese economy, dealers said the bad news had already been priced into the market and was largely as expected.

Bonds in the four to seven-year area led the fall in prices across the curve, with the benchmark No 145 JGB moving from a yield of 4.605 per cent to end at 4.65 per cent. The March futures contract opened at 107.71 and dropped to 107.44, closing at the low of the day.

■ US Treasuries eased slightly across the maturity range yesterday in subdued trading.

By midday the benchmark 30-year government bond was down 1/8 at 102¼, yielding 7.441 per cent. There was a similar lack of movement at the short end of the market, where the two-year note was down 1/32 at 99 29/32, to carry a yield of 4.759 per cent.

Traders reported that activity was extremely light during the morning session, although the lack of business was not blamed on the recent storm which caused havoc in New York's business district last Friday and over the weekend.

Instead, it was the absence of fresh economic statistics yesterday, and a reluctance among investors and dealers to trade ahead of the housing starts, industrial production and jobless claims data due out later in the week, that was behind the lacklustre showing.

FT FIXED INTEREST INDICES

	Dec 14	Dec 11	Dec 10	Dec 9	Dec 8	Year ago	High *	Low *
Govt Secs (UK)	93.71	93.84	93.64	93.74	93.57	87.34	95.54	85.11
Fixed Interest	109.01	108.94	108.86	108.93	108.79	97.49	110.26	97.15

Basis 100: Government Securities 15/10/26; Fixed Interest 1928.
* for 1992. Government Securities high since compilation: 127.40 (9/1/35), low 49.18 (3/1/75)
Fixed Interest high since compilation: 110.26 (12/11/92), low 50.53 (3/1/75)

GILT EDGED ACTIVITY

Indices*	Dec 11	Dec 10	Dec 9	Dec 8	Dec 7
Gilt Edged Bargains	105.1	125.9	119.2	118.1	119.1
5-Day average	117.7	122.8	123.3	125.7	133.6

* SE activity indices rebased 1974

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
AUSTRALIA		10.000	10/02	107.4860	-0.346	8.84	8.79	8.81
BELGIUM		8.750	06/02	104.7900	-0.160	8.00	8.01	8.05
CANADA *		8.500	04/02	102.8500	-0.450	8.08	7.94	7.83
DENMARK		9.000	11/00	100.7600	-0.040	8.86	8.13	8.65
FRANCE	BTAN	8.500	03/97	100.8846	-0.246	8.22	8.10	8.05
	OAT	8.500	11/02	101.7350	-0.210	8.23	8.24	8.01
GERMANY		8.000	07/02	103.9400	-0.110	7.41	7.42	7.41
ITALY		12.000	05/02	93.8000	+0.110	13.60†	13.76	13.37
JAPAN	No 119	4.800	06/99	101.2568	-0.281	4.55	4.45	4.55
	No 145	5.500	03/02	105.5727	-0.276	4.64	4.69	4.62
NETHERLANDS		8.250	06/02	105.1800	-0.180	7.46	7.50	7.51
SPAIN		10.300	06/02	88.3000	+0.350	12.43	10.86	12.37
UK GILTS		10.000	11/96	106-30	-	7.34	7.44	7.03
		9.750	08/02	109-00	-	8.37	8.41	8.14
		9.000	10/08	103-00	-1/32	8.64	8.73	8.56
US TREASURY *		6.375	08/02	98-31	-1/32	6.81	6.79	6.82
		7.625	11/22	102-05	-3/32	7.44	7.47	7.59
ECU (French Govt)		8.500	03/02	98.0750	+0.160	8.81	8.82	8.69

London closing, *denotes New York morning session. Yields: Local market standard. † Gross annual yield (including withholding tax at 12.5 per cent payable by non-residents.)
Prices: US, UK in 32nds, others in decimal. Technical Data/ATLAS Price Sources

Move to common formats in the securities industry

By Brian Bollen

EUROPE's securities industry is poised to take a further step towards automation and greater efficiency.

A steering group of institutional investors and banks, due to meet first on January 15, has been formed to promote common formats for the delivery of securities information between the groups.

This relatively unfashionable sector of the securities industry still relies heavily on paper-based confirmation systems.

The standard message formats will be based upon work done in the US by the Industry Standardisation for Institutional Trade Communications (ISITC) committee, and will consider the needs of European-based cross-border fund managers and custodians.

A preliminary meeting in London last week attracted representatives from more than 40 institutions – mostly UK fund managers and banks – and the major US-based global custodians. One result was to clear up initial misunderstandings about the possible duplication of efforts with Europe's Electronic Trade Confirmation (ETC) project, said Mr Sean Quinn of Chase Manhattan Bank. ETC is designed to link investors and brokers and help them confirm trades automatically.

"Fund managers actively involved in ETC user group advisory boards were represented at the meeting, underlying the complementary nature of the two initiatives," said Mr Quinn. "This is a good example of competitors putting their competitive positions aside to move the industry forward."

A representative of SWIFT, which earlier agreed to allow fund managers to join it, will advise the steering committee.

Agreeing standard formats should reduce errors and failed trades, and contain costs, said Mr Otello Sturino of State Street Bank, adding that the ambitions and timetable which are emerging for ISITC are aggressive.

"If we can ratify message types in the first quarter of 1993 we can establish pilot groups of managers and custodians to exchange information in the ISITC format. If this is successful in Europe in 1993, the Pacific Rim will be the last missing piece."

KPMG global fee income rises 2.3% over year

KPMG PEAT MARWICK, the worldwide accounting network, reported global fee income up 2.3 per cent to $6.15bn for the year to September 30, writes Andrew Jack.

Audit fees grew 5 per cent to $3.2bn and tax advice by 7 per cent to $1.3bn. The recession affected growth in Australia and New Zealand, and also North America, where income fell 0.8 per cent to $2.23bn.

In common with other firms, KPMG does not provide any details of its profits or assets.

It reported strong growth in eastern Europe, other parts of Asia Pacific and Latin America, where income was up 14 per cent. The firm had 6,004 partners and some 73,000 staff in 124 countries worldwide.

Austrian offer fails to find interest

By Tracy Corrigan

A CONTROVERSIAL Euroyen bond offering for the Republic of Austria yesterday failed to attract investor interest. The

INTERNATIONAL BONDS

Y75bn offering of eight-year bonds was very aggressively priced, as even the lead manager, IBJ International, conceded.

The par bonds carry a coupon of 5 per cent, which was as much as ¼ point lower than the pricings put forward to the borrower by other banks.

However, IBJ said that it had taken a view that the yen bond market will look attractive in the early part of next year, and the issue was a way of taking a position in the market accordingly. IBJ International arranged a Y25bn five-year offering for the European Investment Bank on Friday, which was also viewed as aggressively priced.

Dealers said there is now a broadly held view that a Japanese prime rate cut will not come before the end of the year. However, the payment date for the Austria deal is not until the second half of January, which provides IBJ with something of a breathing space.

While it is not uncommon for banks to express a contrary market view by taking bonds on their books, it is unusual to launch a new issue for this purpose, especially one which is syndicated among a group of banks. In the case of the Republic of Austria deal, IBJ assembled an underwriting group consisting of 22 banks and securities houses. However, these underwriters performed no practical function, merely selling the bonds allocated to them back to IBJ at break-even. The only apparent reason for these banks to participate was to have their names quoted as participants in a deal for a prestigious sovereign borrower.

At the end of the day, the bonds were bid at 99.70, a 30 basis point discount which is equal to full fees.

However, IBJ denied accusations from other houses that the deal had been engineered to push IBJ a few notches up the league table of Eurobond lead managers compiled at the end of the year, which many banks use as a marketing tool.

Turkey to shift part of short term borrowing

THE TURKISH Treasury plans to shift part of its borrowing from the short term to one-year borrowing in 1994 in order to balance its cash-flow movements more effectively, Reuter reports from Istanbul.

"1993 will be a transition year. We will issue a set amount of one-year bonds in January and we will auction these in diminishing maturities throughout the year," said a senior Treasury official.

The Treasury now issues one-year bonds occasionally during the year. It auctions one-year, nine-month, six-month and three-month issues in turn every week but it does not set in advance the amount it borrows in each auction.

Terms of Czech central bank Eurobond altered

By Tracy Corrigan

BONDHOLDERS have voted in favour of changing the documentation of a $200m Eurobond issued last year by Statni Banka, the Czechoslovakian central bank. Without the change, the bonds would have gone into default when Czechoslovakia splits into Slovak and Czech republics on January 1.

As part of the break up, the state bank will be dissolved and its role will be taken over by new central banks for each of the republics, according to Nomura International, which arranged the original issue.

The bondholders agreed that the issue should be the joint responsibility of the Slovak and Czech republics and changed an event of default clause which provided for early redemption of the bonds in the event of Czechoslovakia breaking up, according to lead manager Nomura International.

Of the original $200m issue size, $188.9m was outstanding before the vote, the balance having been repurchased by the borrower. The vote in favour of the changes accounted for $160.8m, with no votes against. The deal, which matures in November 1994, is now trading at a margin of 400 basis points over the comparable US Treasury yield, 100 basis points higher than at launch a year ago. A Y10bn placement for Statni Banka in the Japanese market is undergoing a similar process.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
YEN						
Republic of Austria	75bn	5	100	2001	30/25bp	IBJ Int.
GUILDERS						
Koninklijke Ahold	200	7.625	100.2	2000	1/5/8%	ABN Amro Bank

Final terms and non-callable.

MARKET STATISTICS

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 7:10 pm on December 14

[illegible]

STRAIGHT BONDS: The yield is the yield to redemption of the bid-price; the amount issued is in millions of currency units. Chg. day = Change on day.
FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. Spread = Margin above six-month offered rate (three-month) for US dollars. C.cpn = The current coupon.
CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Cnv. price = Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem = Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	19	22	39
Other Fixed Interest	1	2	12
Commercial, Industrial	365	172	879
Financial & Property	158	87	553
Oil & Gas	13	12	60
Plantations	0	0	9
Mines	20	37	84
Others	25	50	40
Totals	601	382	1,676

LONDON RECENT ISSUES

EQUITIES

[illegible]

FIXED INTEREST STOCKS

[illegible]

RIGHTS OFFERS

[illegible]

a Annualised dividend. b Figures based on prospectus estimates. g Assumed dividend and yield. q Earnings based on preliminary figures. u Forecast or estimated annualised dividend rate, cover based on previous year's earnings. x Ex-dividend. F Dividend and yield based on prospectus or other official estimates for 1992-93. H Dividend and yield based on prospectus or other official estimates for 1993. L Estimated annualised dividend, cover and p/e based on latest annual earnings. N Dividend and yield based on prospectus or other official estimates for 1992. Q Gross. R Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. W Pro Forma figures. ‡ Issued by way of rights. † Introduction. § Placing price. †† Reintroduction. ◆ Unlisted securities market. ♦ Issued in connection with reorganisation, merger or takeover. pm Price at a premium.

TRADITIONAL OPTIONS

- First Dealings Dec 7
- Last Dealings Dec 18
- Last Declarations March 11
- For settlement March 22

3-month call rate indications are shown in Saturday editions.

Calls in: Haemocell, Haden MacLellan, Hammerson Ord., Lonrho, Owners Abroad, Proteus, Rodime, Sanderson Elect., Tadpole Tech., Telemetrix and Tiphook. Puts in: MFI, Regalian and Tadpole Tech.

FT-SE ACTUARIES INDICES

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LIFFE EQUITY OPTIONS

[illegible]

FT-ACTUARIES FIXED INTEREST INDICES

PRICE INDICES

		Mon Dec 14	Day's change %	Fri Dec 11	Accrued interest	xd adj. 1992 to date
	British Government					
1	Up to 5 years (24)	128.38	+0.03	128.35	2.79	11.20
2	5-15 years (23)	145.00	+0.02	145.32	2.02	13.12
3	Over 15 years (8)	152.62	-0.02	152.66	2.24	11.89
4	Irredeemables (6)	170.71	-0.26	171.15	1.55	13.68
5	All stocks (61)	141.87	+0.01	142.03	2.31	12.53
	Index-Linked					
6	Up to 5 years (2)	183.35	-0.01	183.37	0.79	3.68
7	Over 5 years (11)	163.21	+0.03	163.39	1.04	4.45
8	All stocks (13)	164.70	+0.03	164.87	1.00	4.32
9	Debs & Loans (62)	123.19	+0.15	123.00	2.67	11.13

AVERAGE GROSS REDEMPTION YIELDS

			Mon Dec 14	Fri Dec 11	Year ago (approx.)
	British Government				
1	Low	5 years	7.33	7.33	8.63
2	Coupons	15 years	8.23	8.23	9.33
3	(0%-7¼%)	20 years	8.47	8.46	9.34
4	Medium	5 years	7.59	7.60	9.64
5	Coupons	15 years	8.66	8.65	9.45
6	(8%-10¼%)	20 years	8.82	8.81	9.42
7	High	5 years	7.84	7.84	9.87
8	Coupons	15 years	8.95	8.94	9.51
9	(11%-)	20 years	8.83	8.82	9.44
10	Irredeemables (Flat Yield)		8.90	8.87	9.53
	Index-Linked				
11	Inflation rate 5%	Up to 5yrs	2.51	2.50	3.97
12	Inflation rate 5%	Over 5 yrs	3.93	3.93	4.34
13	Inflation rate 10%	Up to 5 yrs	1.66	1.62	3.28
14	Inflation rate 10%	Over 5 yrs	3.73	3.73	4.15
15	Debs &	5 years	8.96	8.94	11.18
16	Loans	15 years	9.90	9.89	11.00
17		25 years	10.18	10.18	10.83

Anglo United £22.7m in red

By Roland Rudd

ANGLO UNITED, owner of the Coalite smokeless fuel business, yesterday confirmed details of a restructuring plan which was mainly responsible for a £22.7m pre-tax loss for the half year to September 30.

Last year's £3m pre-tax profit was wiped out by the cost of restructuring, included in an exceptional charge of £11.2m, compared to a gain of £6.2m from disposals.

Only six months after Anglo won approval from its banks to pay off short-term borrowings from disposals, it was forced to reschedule its debts after customers cut their orders and £50m of disposals fell through at the last moment.

Anglo was faced with a £16.3m interest bill and £7m outstanding from this year's debt repayment, as operating profits fell from £13.4m to £4.68m. Sales declined to £243.5m (£269.1m).

The group had expected to sell Liquid Fuels to a regional electricity company for £42m in August. The day before contracts were to be signed the electricity company said it would only pay £23m, which Anglo refused to accept. A week later further disposals, worth £8.5m, fell through.

Mr David McErlain, chairman, said: "This was a very clear signal, if we needed one, that selling businesses in the current climate is impossible. It was at this point we decided to go straight back to the banks to restructure our debts."

Under the terms of the proposed agreement Anglo's debt of £250m – which includes £10m of interest payments due in February – would be reduced to £180m of which £50m would have deferred interest payments.

- £45m would be converted into new ordinary shares at a premium to Anglo's share price, which yesterday closed 1½p down at 6p.
- £25m would be issued in zero coupon convertible loan notes which could be converted between now and within ten years at a premium to the existing share price. Warrants would also be issued to shareholders on the same terms.
- Interest payments on £50m of debt would be deferred for up to 10 years.
- Existing preference shares would be converted into new ordinary shares on enhanced conversion terms.

Losses per share were 7.1p (earnings 1.3p). The interim dividend is passed (0.2p).

COMMENT

Even back in the good old days of the late eighties borrowing £440m debt to acquire a company for £500m was not without its risks. But the combination of three years of recession and last year's exceptional mild winter has finally scuppered Anglo's hopes of keeping to its debt repayment schedule. In the circumstances its proposed deal with its banks does not look too bad. If the loan notes and warrants are not converted, shareholders will keep control of the company, unlike at Heron, for example, where the banks and bondholders are being offered 95 per cent of the equity. Anglo's banks are only likely to convert their loan notes if there is a big increase in the share price – which pre-supposes a bid or a very cold winter.

£4.7m loss at British Bio-tech 'well within budget'

By Paul Abrahams

BRITISH Bio-technology, the recently floated pharmaceuticals group, yesterday announced pre-tax losses for the first six months to October 31 of £4.7m, compared with £5.7m last time.

Losses per share fell from 23.2p to 14.3p.

The company said the losses were well within budget, but warned they would be substantially higher for the second six months as the clinical trial programme was expanded. The balance sheet remained strong with £55m on deposit, it added.

Mr James Noble, finance director, said: "This was the year we discovered our drugs were safe. Next year we discover if they work.

Our shares should act like those of a US biotechnology groups as the clinical trail results materialise. They'll either shoot up or plummet."

Research and development expenditure on new drugs was £6.7m compared with £7.7m last year.

Income increased from £342,000 to £1.58m, mainly because an agreement with Glaxo worth £900,000 and an EC funded Aids programme worth £700,000. Net cash outflow for the six months was £9.2m.

Operating costs had been kept substantially below budget, said the group.

Interest receivable increased from £1.88m to £2.48m, as the company benefited income generated by the flotation in July.

The company has a number of products in development, including anti-cancer drugs, a treatment for acute shock, an asthma medicine and an Aids therapy.

Phase II trials to test for the Aids treatment's effectiveness began last week and will include 72 asymptomatic HIV-positive patients and 100 Aids sufferers. Trials in the US involving about 75 patients should start next year.

More showers are feared before the sun returns

Jane Fuller considers the problems at Spring Ram

MR Bill Rooney, chairman of Spring Ram Corporation, has needed every ounce of his considerable marketing skills recently.

He has been trying to convince nearly 40 institutional investors that his kitchens and bathrooms company has stumbled, not fallen, over the Balterley Bathrooms affair.

"We are still the same company that we were five weeks ago" before the news that false accounting at Balterley could cost a total of £5.6m and before the share price fell from 156p to 89p.

With investors giving the company credit for its explanation of what happened, the share price has recovered to 120p.

One institutional representative described Mr Rooney and his colleagues as apologetic. "No attempt was made to cover up what had been a badly handled situation."

Another commented: "We are happy that the episode is isolated. To some extent it was bad luck and to some extent looser management than we would have hoped for."

Spring Ram does, however, continue to trade at a discount to the market. It used to command a premium, having multiplied pre-tax profit 12-fold between 1984 and 1991.

To allay the fears raised by Balterley, Mr Rooney and Mr Stuart Greenwood, finance director, came to the City armed with a breakdown of the Balterley losses, a timetable of the problem's discovery and belated revelation, and fighting talk about the "reality" of the group's profits. "It has not been done by Mickey Mouse creative accounting," said Mr Greenwood.

The Balterley explanation was to some extent familiar. The subsidiary's finance director, since sacked, had inflated profits by altering the numbers for stock – to the tune of £3.9m over three years – sales, debtors and creditors.

Other Balterley board members were exonerated. Head office, which did without a finance director until Mr

Trevor Humphries

Bill Rooney: went to the City needing all his marketing skills

Greenwood's arrival in March last year, was partly to blame for ordering the stock build-up and then simply accepting the numbers it had wanted to see.

Mr Greenwood said he should have spotted the seriousness of the problem sooner. Blame was deflected from Mr David Riley, who has been the board member responsible for bathrooms since March 1989.

The affair has added urgency to the calls for Spring Ram to be more accountable. Shareholders are developing what one described as "a wish list" of things they would like to see now that the company is being more open.

Mr Rooney said that at least one non-executive director, its first, would be announced by next March. He also seemed amenable to providing a divisional breakdown of profits and sales for the first time in the 1992 accounts.

This will indicate that well over half the profits come from kitchens, driven by rising volumes at the huge Scunthorpe factory, and from Astracast sinks.

Spring Ram has shown an increasing willingness to admit that the bathrooms side has succumbed to the UK recession. For the first time the group has had to make redundancies – at Spring Bathrooms as well as at Balterley.

The group has also been subject to profit-forecast downgrades for the first time. The latest consensus is that the growth in pre-tax profit will slow to 6.5 per cent this year, giving £40m before exceptionals. Expectations for 1993 have been shaded down to between £47m and £48m.

Mr Rooney admits that the pressure has been on this year. The bulge in capital spending – £40m compared with only £3m in 1990 – was not supposed to coincide with recession. It is, however, to the group's credit that it had saved cash for the purpose.

The two start-up factories, doors and tiles, have made losses this year, albeit eased by £2m in grants.

"We have put down 800,000 sq ft this year. That takes courage in a depression and we will spend a similar amount next year because we are planing for the next eight years."

After delivering the presentation to the institutions, Mr Rooney will have to go through it all again as analysts file up to Yorkshire. Their questions are likely to go beyond Balterley to issues concerning the 1992 accounts such as the profits breakdown, stock levels, depreciation and deferred tax.

They are also concerned about Spring Ram's 1993 prospects. Has the company gone ex-growth in its core markets? Why has it acquired Stag Furniture? Will it make much money out of door production?

But the question of credibility may come back to Balterley, especially as the questions the directors stonewalled on this summer were not so wide of the mark.

British Vita expands in eastern Europe

By Richard Gourlay

BRITISH VITA, the polymer, fibre and foam company, is to expand further into eastern Europe through construction of a new foam products factory in Poland.

The Manchester-based company said yesterday it had bought land 20kms from Wroclaw, near the Czechoslovakian border, and will initially invest £4m to build a factory to serve the local furniture and bedding markets.

The move follows modest expansion in the last two years into east Germany, where the group has cutting and conversion plants. It has been supplying the local Polish market with exports from Germany and the Netherlands.

Mr Rod Sellers, chief executive, said Vita Polymers Poland would make its own foam as well as importing it in block form. At a later stage, the company might also export to neighbouring countries and sell its other products like fibres into the local market.

"This will be a bridgehead," said Mr Sellers. "It will be a trading organisation capable of importing."

Further down the road, Mr Sellers said Vita Polymers Poland might expand to serve the German vehicle market. "There is a trend for German auto makers to put more labour intensive operations into Poland," he said.

The local Polish market is likely to demand products towards the lower end of British Vita's range, but margins are likely to be satisfactory once local labour is used and there is no longer a need for high transport and import costs. Much of the raw material can be supplied from the local Polish chemicals industry.

The expansion into Poland further extends British Vita's dependence on the continental European market. With the German economy turning down and tightness in a number of other countries, British Vita's stock market rating has suffered recently from this exposure.

Mr Sellers said yesterday that while the German market was turning down, domestic consumer demand was holding up relatively well.

Tuskar chairman under threat from dissident

By Tim Coone in Dublin

MR Duncan McGregor, chairman of Tuskar Resources, the Irish exploration company in which shares have been suspended since August, faces a move to oust him from the board at the annual meeting on Friday.

Mr John Lord, a stockbroker and dissident shareholder, has mounted the challenge by mailing his own proxy voting form to shareholders. Initially he wanted to change the direction of the company, but he apparently now wishes to keep it in the resource sector. This, according to Tuskar is "an extraordinary about turn".

In his own letter to shareholders yesterday, Mr McGregor countered, saying that Mr Lord "has no operating experience of the natural resource industry", that his proposals for running the company "would not generate an early cash flow", and that "it could be a considerable time before dealings would recommence".

He said the board was "unequivocally committed to keeping Tuskar in natural resources". Retrenchment carried out by the board had placed the company in a net cash position, would bring new exploration opportunities to be announced shortly, and put the company in a position "where it will shortly apply for a recommencement of dealings".

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
Anglo United ....int	nil	-	0.2	-	0.85
Berkeley ....int	1.65	Feb 12	1.5	-	5
Electronic Data ....fin	3.1	Apr 7	2.5	5.1	4.25
Polar § ....fin	2.5	Feb	2.5	4.5	4.5
Richards ....fin	2.93	Mar 3	2.93	4	4
Southend Prop ....int	1.52	Feb 26	1.45	-	4.18
Tinsley (Eliza)§..........int	1.8	Feb 1	1.8	-	5.2
Tiphook ....int	4.9	Jan 30	4.4	-	17.3

Dividends shown pence per share net except where otherwise stated.
§USM stock

Berkeley rides recession with 27% rise to £6.9m

By Paul Taylor

BERKELEY Group, the Surrey-based housebuilder, continued to buck the sector trend with a 27 per cent increase in first half profits; the interim dividend goes up 10 per cent.

The group also said it plans to increase its investment in the UK commercial property market through its joint venture with Saad Investments, subject to shareholder approval.

Pre-tax profits rose to £6.92m in the six months to October 31, against £5.43m last time.

Turnover expanded 47 per cent to £75.8m (£51.7m) with the number of house sales increasing 39 per cent to 468 (336) units.

Earnings per share increased to 7.6p (6.1p) and the interim dividend is lifted from 1.5p to 1.65p.

Both turnover and operating profits, ahead to £6.43m (£4.33m), include St George, the London-based builder, which became a 100 per cent subsidiary in September last year.

Mr Tony Pidgley, chief executive, said the results had been achieved "in a housing market in which demand has been extremely uncertain and in which house prices have continued to decline with a consequent adverse effect on margins."

He said Berkeley Eastoak Investments, the commercial property joint venture with Saad Investments, has so far invested £63m and is in the process of investing a further £22.4m.

Its portfolio of 66 properties has mainly blue chip corporate tenants and is producing an average net yield of 10.7 per cent.

Because of "the continuing acquisition opportunities arising out of the depressed conditions in the UK commercial property market," the joint venture partners plan to invest a further £100m, of which Berkeley's commitment will be up to £25m.

As with the initial £100m, the majority of this investment will be financed by bank loans.

● **COMMENT**

The secret of Berkeley's success has been timing. It decided in late 1988 to liquidate the land bank and since then has operated a "buy-build" policy of acquiring small parcels of quality land, mostly for immediate use. As a result most of the land used during the first half was acquired in the last 18 months - at reasonable prices. The balance sheet is strong with shareholders funds expected to top £140m at the year end and £2m of net cash. The off-balance sheet joint venture in commercial property is structured in such a way as to minimise risks for shareholders and appears to represent a low risk speculative play with the potential for significant medium term capital gains. Even without improvement in the core private housing business, profits should top £15m pre-tax this year. The shares, which jumped 20p yesterday to 290p, are on a deservedly high prospective multiple of about 17. This is a stock to hold, or buy on signs of weakness.

Reshuffle should put Porth back into black

By Andrew Bolger

FESTIVE CHEER is still eluding Porth Group, the Welsh-based company which is Britain's biggest producer of Christmas decorations.

Porth has decided to close its main factory at Llwynpia, in Mid Glamorgan, and move its operations three miles away to Treorchy, alongside existing warehousing and distribution facilities. No jobs will be lost; the permanent workforce has already been cut by 55 to 156 in the current year.

Porth, which came to the USM in 1989, incurred a pre-tax loss of £1.34m last year, compared with £1.04m in 1990. The group said that, despite improved trading, it still expected to be in loss this year, particularly since there would be exceptional costs.

Mr John Miller, chief executive, said: "The outlook for 1993 is markedly improved following the move of the factory and, although an assumption has been made that consumer spending will not increase in 1993, a profit is expected."

Porth, which raised £978,000 from shareholders in the summer, has agreed funding arrangements for 1993 with its principal bankers, National Westminster, and said it did not intend to seek further funds next year for current operations.

The Welsh Development Agency has agreed to refurbish the new factory at Treorchy and the Welsh Office is seeking to preserve jobs by granting Porth £500,000 over three years.

Last year Porth appointed Sir Michael Edwardes, former head of British Leyland, as its non-executive chairman and raised £3.5m in a rights issue.

The shares closed 1p higher at 5¾p, giving the group a market capitalisation of about £1m, compared with its flotation value of £13.8m.

Interest income buoys Electronic Data

By Alan Cane

ELECTRONIC Data Processing, the Sheffield-based computer systems and services group, produced sharply improved pre-tax profits in the year to September 30 boosted by higher net interest receipts.

The results were in line with analysts' expectations and the share price moved up only fractionally to close at 510p.

Turnover shrank by 11 per cent from £17.4m to £15.5m, the consequence, according to Mr Michael Heller, chairman, of "the continuing compression in the selling prices of hardware and the policy of the group to develop long term as a software publisher and services provider".

Profits before tax rose 20 per cent from £4.1m to £4.88m; trading profits rose by 8 per cent to £4.1m (£3.79) with a further £784,000 (£290,000) in net interest receipts.

Earnings per share were 17 per cent up at 38.4p (32.83p) and a final dividend of 3.1p is recommended to make a total of 5.1p, 20 per cent ahead of last year's 4.25p.

Cash balances at September 30 were £10.2m after spending nearly £2m on a new corporate headquarters in Sheffield.

EDP is a company in transition. It is moving away from hardware distribution towards software and services which last year contributed £8m to turnover.

Last year it spent about £530,000 on research and development, chiefly on the production of a new software product, Univision, a database management system which will operate under either of the "open" software environments, Unix or Pick.

The future of the industry, Mr Heller said, lay in open – or industry standard – systems and the company's aim was to become a software publisher specialising in open products.

Trading conditions remained harsh and he confirmed analysts' views that profits would be essentially flat in the present year. The company was looking for acquisitions and had identified suitable candidates for takeover, but would retain its cash pile until the moment was right.

Ashley Ashwood

Richard Jowitt, left, managing director and Michael Heller

UBS purchases London office

By Vanessa Houlder, Property Correspondent

UNION BANK of Switzerland has bought its London office building from Rosehaugh Stanhope Developments, the company jointly owned by Stanhope Properties and Rosehaugh, which recently went into receivership.

In effect, the deal pays off the £200m loan made by UBS on the building. UBS will also benefit from tax losses worth tens of millions of pounds.

UBS and UBS Phillips & Drew, its stockbroking subsidiary, occupy the 390,000 sq ft building in the Broadgate development. UBS pays an annual rent of £13m.

BP3, the RSD subsidiary that owned the building, incurred a net loss of £17.8m in the year to June 30 and had net assets of £15.1m. However, the value of City office buildings has since fallen sharply; according to Hillier Parker, the chartered surveyors, they have dropped 20 per cent over the past year.

UBS described the deal as further evidence of its firm commitment to its operations in London.

Mr Stuart Lipton, chief executive of Stanhope, said that following RSD's recent signing of a five year extension to its banking arrangements, the sale was further evidence of the stability of the group and the quality of its assets.

RSD is also in talks with Credit Lyonnais about the acquisition of the building it occupies.

Wills debt-swap banks sell shares

By Nigel Clark

BANKS holding a third of the 5 per cent cumulative convertible redeemable preference shares in Wills Group, the engineering equipment distributor, have converted and sold their holdings at close to the market price. The ordinary shares were unchanged at 14p.

Holders of 878,000 preference converted into 8.78m ordinary, or 11.9 per cent of the enlarged equity, which were then placed at 12p a share.

The preference were issued when the banks swapped debt of £4.56m for 2.4m shares as part of a capital reconstruction in October last year.

Three of the eight banks involved converted yesterday. The remaining shares are convertible or redeemable no later than November 2001.

Mr David Massie, chairman, said it would be wrong to see yesterday's conversion as taking a loss – the original debt swap and conversion valued the ordinary at 19p. At the time of the swap there was a rights issue at 3½p per share and the present price seemed a long way off, he said.

Prudential ends involvement in commercial lines

By Paul Taylor

Prudential Corporation, the insurance and financial services group, is divesting the remainder of its commercial lines business in the UK.

The move follows its announcement in March that it would no longer sell general insurance in the UK through brokers, after losses of £77m in that business in 1991.

Prudential said it has reached an agreement with Kendal-based Provincial Insurance, the 12th largest general insurer in the UK with premium income last year of £331m.

Under the agreement Prudential will recommend its existing commercial policy holders to switch to Provincial when their policies come up for renewal after April next. Prudential will receive a commission for introducing new business based on the volume of business written by Provincial.

NEWS DIGEST

Pressure on margins at Polar

POLAR, the USM-quoted electronic components distributor, reported a marginal decrease – from £917,000 to £902,000 – over the 12 months to October 2.

Mr Keith Carnelley, chairman, said that "very difficult trading conditions" had prevailed for the third successive year with reduced demand and "unprecedented pressure" on margins.

Nevertheless the group increased its market share with sales ahead 13 per cent to £17.4m.

Earnings per share emerged at 7.3p (7.4p); a recommended final dividend of 2.5p maintains the total for the year at 4.5p.

Pelican wades in with £357,000

In the half year to September 30, a period of expansion, the Pelican Group increased pre-tax profit from £131,000 to £357,000.

The USM-traded group, which owns and operates 15 restaurants, including the Cafe Rouge concept, and a wine bar in the Greater London area, generated the increases from turnover ahead 35 per cent to £3.83m. That, said Mr Roger Myers, chairman, reflected the economies of scale the group now enjoyed.

Prospects continued to improve. The Whiteleys and Kensington units were expected to make significant contributions in the second half.

Growth in earnings per share was restricted to 73 per cent, from 1.1p to 1.9p, following the substantial increase in the number of shares in issue.

Southend Property dips to £1.28m

Pre-tax profits at Southend Property Holdings for the six months to September 30 showed a slight reduction, from £1.31m to £1.28m.

The sharp fall in turnover, from £36.8m to £18.2m, followed the sale of the main part of the interest in Hamlet International at the beginning of 1992 and the decline in sales of Mt Martin Gold Mines.

Earnings worked through at 0.72p compared with 1.13p but the interim dividend is increased from 1.45p to 1.52p.

Reorganisation lifts Eliza Tinsley

Reorganisation at Eliza Tinsley Group, the USM-quoted maker of hardware products, is paying off. Pre-tax profits for the half year ended September 30 showed a 42 per cent increase.

The profit came to £408,000, compared with £287,000 last time and with £510,000 for the full previous year.

Turnover declined from £7.71m to £7.47m, after a first quarter increase.

Earnings per share were 3.57p (2.5p) and the interim dividend is again 1.8p.

Net asset value falls 13% at Moorgate

Moorgate Investment Trust, which invests mainly in smaller UK companies, reported a 13 per cent fall in net asset value to 111.2p per share at November 30, against 128.1p six months earlier.

Net earnings fell from £806,000 to £759,000 or from 2.88p to 2.7p per share. The interim dividend, however, is maintained at 1.7p.

● Moorgate Smaller Companies Income Trust reported net asset value of 95.72p at October 31, down from 112p six months earlier.

Earnings per share for the six months to end-October were 2.09p (2.53p). The interim dividend is maintained at 1.8p.

Leopold Joseph profits ahead

Leopold Joseph, the merchant banker, said that net profits for the half year to September 30 were "somewhat higher" than in the comparable period.

Mr Robin Herbert, chairman, said that was satisfactory when taking into account the uncertain background. The growth followed a "useful increase" in activity, substantially derived from focused marketing initiatives.

The interim dividend is held at 3.1p, payable on January 2.

Narborough Plants higher at £162,000

Narborough Plantations, the Malaysian rubber and palm oil producer, reported pre-tax profits for the year to June 30 up from £153,000 to £162,000.

Lower operating profits were offset by higher income from investments and an exchange gain rather than a loss.

Turnover was £335,000 (£372,000). Earnings per share were 0.96p (0.74p). The proposed final dividend is unchanged at 1p gross for a maintained total of 1.5p gross.

COMPANY NEWS: UK

Third prong goes for the balance sheet

Andrew Jack considers the expected impact of Fred 3 on capital instruments

GURUS IN some of the City's better-known financial institutions have been heard to answer the telephone in recent years with three revealing and unsettling words: "Financial engineering department."

Their raison d'être is to produce haemaphroditic capital instruments, the chameleon-like hybrids which often exhibit all the characteristics of debt.

By taking advantage of loopholes in existing accounting rules and company legislation, they are able to make these instruments appear on the balance sheet as equity. This keeps gearing low and can diminish any risk of breaching loan covenants.

It is precisely these financiers and their evolving devices that the Accounting Standards Board hopes to put out of business with Fred 3, its financial reporting exposure draft on capital instruments, issued last week.

Mr David Tweedie, the ASB chairman, says Fred 3 represents the start of the ASB's attack on the third prong of accounting. FRS 2, the financial reporting standard on cash flow, replaced the old source and application of funds statement. FRS 3 dealt with the profit and loss account. Now Fred 3 begins the assault on the balance sheet.

"We had to act," he says. "One of the biggest problems for auditors was the shifts between debt and equity of these instruments. It was getting to ridiculous proportions."

At the heart of Fred 3 is a simple boxed statement drawn from the ASB's statement of principles, which defines liabilities as "an entity's obligations to transfer economic benefits as a result of past transactions or events". That turns most instruments into debt.

The standards-setters hands were partly tied when it came to shares and their derivatives, which cannot be defined under the present law as liabilities. The result is six categories into which capital instruments will be classified:

● shareholders' funds: equity and non-equity interests
● minority interests in subsidiaries: equity and non-equity interests in subsidiaries
● liabilities: convertible and non-convertible liabilities.

Fred 3 also incorporates into a standard the first ruling from the ASB's urgent issues task force issued in July last year, which deals with the treatment of supplemental interest or premium on convertible bonds. It says that these elements should be charged annually to the profit and loss account from inception.

An illustration of the impact of the new standard is shown by BET, the business services company. Its 1991 annual report simply shows £189m in share capital and £437.4m in the share premium account.

The 1992 accounts have been re-cast along the lines suggested by Fred 3. The 1991 accounts now show equity shareholders' funds of £186.1m, and £152.9m in the share premium account. Non-equity funds, in the form of preference shares, total £287.4m, including just £2.9m for the nominal value of the shares.

Theoretically, readers of accounts could always have calculated the contribution from preference shares for themselves. The awkward reality is illustrated by the 1991 Ratners accounts. The balance sheet shows called up share capital of £66.2m and a share premium account of £356.9m.

These figures are linked to three tightly-worded pages in the notes which list the six different authorised types of complex equity instruments, such as 36m 6.75p convertible cumulative non-voting redeemable preference shares. Those allotted are shown simply at their par value, making the market value of each extremely difficult to calculate.

BET Capital and reserves in year to March 30 1991	
In annual report 1991	£m
Share capital	189.0
Share premium account	437.4
Revaluation reserve	56.0
Other reserves	(785.3)
Profit and loss account	572.8
Associated undertakings' reserves	2.9
	472.8
Minority shareholders' interests	23.3
	496.1
In annual report 1992 – restated in accordance with Fred 3	
Equity shareholders' funds:	
Ordinary share capital	186.1
Ordinary share premium	152.9
Revaluation reserve	56.0
Other reserves	(785.3)
Profit and loss account	572.8
Associated undertakings' reserves	2.9
	185.4
Non-equity shareholders' funds:	
Preference share capital	2.9
Preference share premium	284.5
	287.4
BET shareholders' capital and reserves	472.8
Minority shareholders' interests	23.3
Total capital and reserves	496.1

More fundamental than the switch from equity to non-equity shareholders' funds for many companies will be the switch from equity back to debt. Among those affected when Fred 3 becomes a mandatory standard next year is British Airways. Its 1992 accounts show £320m in convertible capital bonds maturing in 2005. These will have to be reclassified as debt.

The 1992 accounts for BICC show £177m in convertible capital bonds which will have to be re-cast as borrowings. The notes also show that £33m of its £134m in minority interests now under capital and reserves will also become debt.

The same fate faces £109.8m in redeemable convertible preference shares in Coats Viyella Finance, guaranteed shares issued by a subsidiary of Coats Viyella.

Thorn EMI will have to reclassify as debt from the 1992 accounts £211.5m in convertible unsecured loan stock and £103m in guaranteed redeemable convertible preference shares in minority interests. It will also have to account under non-equity shareholders' funds £114m in auction preferred stock shown as a minority interest in capital and reserves.

Some of the other obscure instruments mentioned are debt issued with warrants; deep discount, income and stepped interest bonds; index-linked loans; and subordinated, limited recourse and repackaged perpetual debt.

But the point of Fred 3 is to lay down principles, not simply classify existing instruments, which could rapidly become out-dated as new devices are invented. Instead it attempts to provide a comprehensive set of categories.

The ASB says most submissions it has received since issuing a discussion document last December have been positive. Its only principal modification in Fred 3 has been to allow short-term borrowings under a long-term financing facility to be reported as long-term.

The lack of complaint suggests the financial engineers have so far kept quiet. The chance to have their say may come once Fred 3 has become a standard towards the end of next year and put out to test.

Mapic warns members to expect sizeable additional calls for money

By Andrew Jack

MAPIC, the accountants' professional indemnity insurance mutual, has warned its members of possible substantial additional calls for money in response to sharply rising litigation against the firms.

Mr Roger Pedder, chairman, says in the report for the year to June 30 that members should make provisions of 6 per cent for 1990-91 and 7 per cent for 1991-92.

The report warns that if the adverse trend of greater claims continues, underwriting rates may have to rise when they are next renewed.

Claims paid by Mapic rose 51 per cent to £520,000. Contingent claims almost doubled to £3.16m (£1.61m) in the period; the company estimates these will be settled for £1.44m (£848,000).

The underwriting summary says there was "dramatic claim inflation" in 1990-91, reflecting a litigious climate and the state of the economy.

There has been a growth in claims against accountants for failing to detect "misappropriations" by employees.

"Typical claims concerned failures in tax advice, particularly in relation to capital gains. There were also claims for alleged failure to detect fraud on audit.

Richards lapses into the red

By Matthew Curtin

RICHARDS, the Aberdeen-based textile group which is trying to restructure its way out of recession, turned a £434,000 pre-tax profit into a £125,000 deficit in the 12 months to September 30.

Although turnover was held at £72m, operating profit fell from £1.26m to £125,000.

The group spent £250,000, taken an exceptional charge, in repositioning its shirt brands upwards, out of the more competitive middle market.

The £1.28m cost of the disposal of the Irish-based linen manufacturing operation was taken below the line.

Mr Brian Gilbert, chairman, said the collapse in consumer confidence and home spending on furnishings since April made for the worst trading period so far encountered in the recession.

The proposed final dividend is held at 2.93p to maintain the total for the year at 4p, again uncovered by earnings of 0.15p (2.25p) per share.

FT GUIDE TO WORLD CURRENCIES

The table below gives the latest available rates of exchange (rounded) against four key currencies on Monday, December 14, 1992. In some cases the rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

COUNTRY		£ STG	US $	D-MARK	YEN (X 100)
Afghanistan	(Afghani)	99.25	63.4185	40.4689	51.2919
Albania	(Lek)	171.875	109.824	70.0815	88.8242
Algeria	(Dinar)	34.3594	21.9548	14.0099	17.7567
Andorra	(Fr Fr)	8.3675	5.3466	3.4118	4.3242
	(Sp Peseta)	174.10	111.246	70.9887	89.9741
Angola	(Kwanza)	855.9875	546.957	349.027	442.371
Antigua	(E Carr $)	4.2188	2.6957	1.7202	2.1802
Argentina	(Peso)	1.5505	0.9907	0.6322	0.8012
Aruba	(Florin)	2.7969	1.7871	1.1404	1.4454
Australia	(Aus $)	2.2750	1.4536	0.9276	1.1757
Austria	(Schilling)	17.275	11.0383	7.0438	8.9276
Azores	(Port Escudo)	219.50	140.256	89.5005	113.437
Bahamas	(Bahama $)	1.5650	1	0.6381	0.8087
Bahrain	(Dinar)	0.5901	0.377	0.2406	0.3049
Balearic Is	(Sp Peseta)	174.10	111.246	70.9887	89.9741
Bangladesh	(Taka)	60.8226	38.8642	24.8002	31.4328
Barbados	(Barb $)	3.1427	2.0081	1.2814	1.6241
Belgium	(Belg Fr)	50.60	32.3322	20.632	26.1498
Belize	(B $)	3.1250	1.9968	1.2742	1.6149
Benin	(CFA Fr)	418.375	267.332	170.591	216.214
Bermuda	(Bermudian $)	1.5650	1	0.6381	0.8087
Bhutan	(Ngultrum)	45.0596	28.792	18.3729	23.2866
Bolivia	(Boliviano)	6.3750	4.0734	2.5993	3.2945
Botswana	(Pula)	3.4664	2.2149	1.4134	1.7914
Brazil	(Cruzeiro)	17156.35	10962.5	6995.45	8866.33
Brunei	(Brunei $)	2.5655	1.6392	1.046	1.3258
Bulgaria	(Lev)	36.636	23.4095	14.9382	18.9333
Burkino Faso	(CFA Fr)	418.375	267.332	170.591	216.214
Burma	(Kyat)	9.8485	6.2929	4.0156	5.0896
Burundi	(Burundi Fr)	357.10	228.179	145.607	184.548
Cambodia	(Riel)	3125.00	1996.81	1274.21	1614.99
Cameroon	(CFA Fr)	418.375	267.332	170.591	216.214
Canada	(Canadian $)	1.9960	1.2753	0.8138	1.0315
Canary Is	(Sp Peseta)	174.10	111.246	70.9887	89.9741
Cp Verde	(CV Escudo)	97.8594	62.5299	39.9018	50.5733
Cayman Is	(CI $)	1.3281	0.8486	0.5415	0.6863
Cent Afr Rep	(CFA Fr)	418.375	267.332	170.591	216.214
Chad	(CFA Fr)	418.375	267.332	170.591	216.214
Chile	(Chilean Peso)	596.2031	380.96	243.1	308.115
China	(Renminbi Yuan)	9.1562	5.8506	3.7334	4.7318
Colombia	(Col Peso)	1258.05	803.866	512.966	650.155
CIS ‡	(Rouble)	0.8762o	0.5598	0.3572	0.4528
		656.36m	419.399	267.629	339.204
Comoros	(CFA Fr)	418.375	267.332	170.591	216.214
Congo (Brazz)	(CFA Fr)	418.375	267.332	170.591	216.214
Costa Rica	(Colon)	214.0313	136.761	87.2706	110.61
Côte d'Ivoire	(CFA Fr)	418.375	267.332	170.591	216.214
Croatia	(Dinar)	1034.15	660.799	421.672	534.444
Cuba	(Cuban Peso)	1.1834	0.7561	0.4825	0.6115
Cyprus	(Cyprus £)	0.7369	0.4708	0.3004	0.3808
Czechoslovakia	(Koruna)	44.565c	28.476	18.1712	23.031
		42.190t	26.9584	17.2028	21.8036
Denmark	(Danish Kroner)	9.4525	6.0399	3.8542	4.885
Djibouti Rep	(Djib Fr)	275.00	175.719	112.13	142.119
Dominica	(E Carrib $)	4.2188	2.6957	1.7202	2.1802
Dominican Rep	(D Peso)	20.3125	12.9792	8.2823	10.4974
Ecuador	(Sucre)	2941.41o	1879.5	1199.35	1520.11
		2977.79a	1902.74	1214.19	1538.91
Egypt	(Egyptian £)	5.1600	3.2971	2.1039	2.6666
El Salvador	(Colon)	13.6094	8.6961	5.5491	7.0332
Equat'l Guinea	(CFA Fr)	418.375	267.332	170.591	216.214
Estonia	(Kroon)	19.8960	12.713	8.1125	10.2821
Ethiopia	(Ethiopian Birr)	7.7406	4.946	3.1562	4.0003
Falkland Is	(Falk £)	1.00	0.6389	0.4077	0.5167
Faroe Is	(Danish Kroner)	9.4525	6.0399	3.8542	4.885
Fiji Is	(Fiji $)	2.4425	1.5607	0.9959	1.2622
Finland	(Markka)	7.91975	5.0605	3.2292	4.0928
France	(Fr)	8.3675	5.3466	3.4118	4.3242
Fr. Cty/Africa	(CFA Fr)	418.375	267.332	170.591	216.214
Fr Guiana	(Local Fr)	8.3675	5.3466	3.4118	4.3242
Fr Pacific Is	(CFP Fr)	149.00	95.2076	60.7543	77.0025
Gabon	(CFA Fr)	418.375	267.332	170.591	216.214

COUNTRY		£ STG	US $	D-MARK	YEN (X 100)
Gambia	(Dalasi)	13.6563	8.726	5.5683	7.0575
Germany	(D-Mark)	2.4525	1.567	1	1.2674
Ghana	(Cedi)	796.875	509.185	324.924	411.822
Gibraltar	(Gib £)	1.00	0.6389	0.4077	0.5167
Greece	(Drachma)	325.30	207.859	132.64	168.114
Greenland	(Danish Kroner)	9.4525	6.0399	3.8542	4.885
Grenada	(E Carr $)	4.2188	2.6957	1.7202	2.1802
Guadaloupe	(Local Fr)	8.3675	5.3466	3.4118	4.3242
Guam	(US $)	1.5650	1	0.6381	0.8087
Guatemala	(Quetzal)	8.3908	5.3614	3.4212	4.3362
Guinea	(Fr)	1269.20	810.99	517.513	655.913
Guinea-Bissau	(Peso)	7812.50	4992.01	3185.52	4037.47
Guyana	(Guyanese $)	196.0781	125.29	79.9502	101.332
Haiti	(Gourde)	16.4944	10.5397	6.7256	8.519
Honduras	(Lempira)	9.2157	5.8886	3.7576	4.7626
Hong Kong	(HK $)	12.1125	7.7395	4.9389	6.2596
Hungary	(Forint)	129.50	82.7476	52.8032	66.925
Iceland	(Icelandic Krona)	98.1513	62.7164	40.0209	50.7241
India	(Indian Rupee)	45.0596	28.792	18.3729	23.2866
Indonesia	(Rupiah)	3226.886	2061.91	1315.75	1667.64
Iran	(Rial)	2270.0v	1450.48	925.586	1173.13
		99.70s	63.706	40.6523	51.5249
Iraq	(Iraqi Dinar)	0.4836	0.309	0.1972	0.2499
Irish Rep	(Punt)	0.9295	0.5939	0.3790	0.4798
Israel	(Shekel)	[illegible]	[illegible]	[illegible]	[illegible]
Italy	(Lira)	2179.25	1392.49	888.583	1126.23
Jamaica	(Jamaican $)	34.3750	21.9648	14.0163	17.7648
Japan	(Yen)	193.50	123.642	78.899	100
Jordan	(Jordanian Dinar)	1.0574	0.6756	0.4311	0.5464
Kenya	(Kenya Shilling)	55.6250	35.5431	22.6809	28.7467
Kiribati	(Australian $)	2.2750	1.4536	0.9276	1.1757
Korea North	(Won)	3.3594	2.1465	1.3697	1.7361
Korea South	(Won)	1235.90	789.712	503.935	638.704
Kuwait	(Kuwaiti Dinar)	0.46950	0.3	0.1914	0.2426
Laos	(New Kip)	1117.1875	713.858	455.53	577.358
Lebanon	(Lebanese £)	2883.10	1842.24	[illegible]	[illegible]
Lesotho	(Maluti)	4.7055	3.0067	1.9186	2.4317
Liberia	(Liberian $)	1.5650	1	0.6381	0.8087
Libya	(Libyan Dinar)	0.4480	0.2862	0.1826	0.2315
Liechtenstein	(Swiss Fr)	[illegible]	[illegible]	[illegible]	[illegible]
Luxembourg	(Lux Fr)	50.60	32.3322	20.632	26.1498
Macao	(Pataca)	12.4898	7.9807	5.0926	6.4546
Madagascar	(MG Fr)	[illegible]	[illegible]	[illegible]	[illegible]
Madeira	(Port Escudo)	219.50	140.256	89.5005	113.437
Malawi	(Kwacha)	[illegible]	[illegible]	[illegible]	[illegible]
Malaysia	(Ringgit)	[illegible]	[illegible]	[illegible]	[illegible]
Maldive Is	(Rufiyaa)	[illegible]	[illegible]	[illegible]	[illegible]
Mali Rep	(CFA Fr)	418.375	267.332	170.591	216.214
Malta	(Maltese Lira)	[illegible]	[illegible]	[illegible]	[illegible]
Martinique	(Local Fr)	8.3675	5.3466	3.4118	4.3242
Mauritania	(Ouguiya)	[illegible]	[illegible]	[illegible]	[illegible]
Mauritius	(Maur Rupee)	[illegible]	[illegible]	[illegible]	[illegible]
Mexico	(Mexican Peso)	[illegible]	[illegible]	[illegible]	[illegible]
Miquelon	(Local Fr)	8.3675	5.3466	3.4118	4.3242
Monaco	(French Fr)	8.3675	5.3466	3.4118	4.3242
Mongolia	(Tugrik)	[illegible]	[illegible]	[illegible]	[illegible]
Montserrat	(E Carr $)	4.2188	2.6957	1.7202	2.1802
Morocco	(Dirham)	[illegible]	[illegible]	[illegible]	[illegible]
Mozambique	(Metical)	[illegible]	[illegible]	[illegible]	[illegible]
Namibia	(S A Rand)	4.7055	3.0067	1.9186	2.4317
Nauru Is	(Australian $)	2.2750	1.4536	0.9276	1.1757
Nepal	(Nepalese Rupee)	[illegible]	[illegible]	[illegible]	[illegible]
Netherlands	(Guilder)	[illegible]	[illegible]	[illegible]	[illegible]
N'nd Antilles	(A/Guilder)	2.7969	1.7871	1.1404	1.4454
New Zealand	(NZ $)	3.0337	1.9384	1.2369	1.5678
Nicaragua	(Gold Cordoba)	[illegible]	[illegible]	[illegible]	[illegible]
Niger Rep	(CFA Fr)	418.375	267.332	170.591	216.214
Nigeria	(Naira)	[illegible]	[illegible]	[illegible]	[illegible]
Norway	(Nor. Krone)	[illegible]	[illegible]	[illegible]	[illegible]
Oman	(Rial Omani)	0.6025	0.3849	0.2456	0.3113

COUNTRY		£ STG	US $	D-MARK	YEN (X 100)
Pakistan	(Pak. Rupee)	40.0321	25.5796	16.3229	20.6884
Panama	(Balboa)	1.5650	1	0.6381	0.8087
Papua New Guinea	(Kina)	1.5400	0.984	0.6279	0.7958
Paraguay	(Guarani)	2497.65	1595.94	1018.41	1290.78
Peru	(New Sol)	[illegible]	[illegible]	[illegible]	[illegible]
Philippines	(Peso)	38.50	24.6006	15.6982	19.8966
Pitcairn Is	(£ Sterling)	1.00	0.6389	0.4077	0.5167
	(NZ $)	3.0337	1.9384	1.2369	1.5678
Poland	(Zloty)	[illegible]	15289.5	9756.57	12365.9
Portugal	(Escudo)	219.50	140.256	89.5005	113.437
Puerto Rico	(US $)	1.5650	1	0.6381	0.8087
Qatar	(Riyal)	5.6966	3.64	2.3227	2.9439
Reunion Is. de la	(F Fr)	8.3675	5.3466	3.4118	4.3242
Romania	(Leu)	[illegible]	426.345	272.061	[illegible]
Rwanda	(Fr)	221.27	141.387	90.2222	114.351
St Christopher	(E Carr $)	4.2188	2.6957	1.7202	2.1802
St Helena	(£)	1.00	0.6389	0.4077	0.5167
St Lucia	(E Carr $)	4.2188	2.6957	1.7202	2.1802
St Pierre	(French Fr)	8.3675	5.3466	3.4118	4.3242
St Vincent	(E Carr $)	4.2188	2.6957	1.7202	2.1802
San Marino	(Italian Lira)	2179.25	1392.49	888.583	1126.23
Sao Tome	(Dobra)	375.00	239.617	152.905	193.798
Saudi Arabia	(Riyal)	[illegible]	3.7504	[illegible]	3.0331
Senegal	(CFA Fr)	418.375	267.332	170.591	216.214
Seychelles	(Rupee)	8.1750	5.2236	3.3333	4.2248
Sierra Leone	(Leone)	796.88	509.188	324.926	411.824
Singapore	($)	2.5655	1.6392	1.046	1.3258
Solomon Is	($)	[illegible]	3.0607	1.9531	2.4754
Somali Rep	(Shilling)	4093.75	2615.81	1669.22	2115.63
South Africa	(Rand)	4.7055c	3.0067	1.9186	2.4317
		[illegible]	4.8195	[illegible]	[illegible]
Spain	(Peseta)	174.10	111.246	70.9887	89.9741
Spanish Ports in N Africa	(Sp Peseta)	174.10	111.246	70.9887	89.9741
Sri Lanka	(Rupee)	[illegible]	[illegible]	[illegible]	[illegible]
Sudan Rep	(Dinar)	[illegible]	[illegible]	[illegible]	[illegible]
Surinam	(Guilder)	2.7891	1.7821	1.1372	1.4413
Swaziland	(Lilangeni)	4.7055	3.0067	1.9186	2.4317
Sweden	(Krona)	10.5675	6.7523	4.3088	[illegible]
Switzerland	(Fr)	2.2025	1.4073	0.898	1.1382
Syria	(£)	32.8125	20.9664	13.3792	16.9573
Taiwan	($)	[illegible]	[illegible]	[illegible]	[illegible]
Tanzania	(Shilling)	[illegible]	[illegible]	[illegible]	[illegible]
Thailand	(Baht)	[illegible]	[illegible]	[illegible]	[illegible]
Togo Rep	(CFA Fr)	418.375	267.332	170.591	216.214
Tonga Is	(Pa'Anga)	[illegible]	[illegible]	[illegible]	[illegible]
Trinidad/Tobago	($)	[illegible]	[illegible]	[illegible]	[illegible]
Tunisia	(Dinar)	[illegible]	[illegible]	[illegible]	[illegible]
Turkey	(Lira)	12914.24	8251.91	5265.75	[illegible]
Turks & Caicos	(US $)	1.5650	1	0.6381	0.8087
Tuvalu	(Australian $)	2.2750	1.4536	0.9276	1.1757
Uganda	(New Shilling)	1907.80	1219.04	777.9	[illegible]
UAE	(Dirham)	5.7477	3.6726	2.3436	2.9703
United Kingdom	(£)	1.00	0.6389	0.4077	0.5167
United States	(US $)	1.5650	1	0.6381	0.8087
Uruguay	(Peso)	5362.50	3426.52	2186.54	2771.32
Vanuatu	(Vatu)	185.94	118.812	75.8163	[illegible]
Vatican	(Lira)	2179.25	1392.49	888.583	1126.23
Venezuela	(Bolivar)	123.1563	78.6941	50.2166	63.6466
Vietnam	(Dong)	16835.94	10757.8	6864.81	8700.74
Virgin Is-British	(US $)	1.5650	1	0.6381	0.8087
Virgin Is-US	(US $)	1.5650	1	0.6381	0.8087
Western Samoa	(Tala)	3.8763	2.4768	1.5805	2.0032
Yemen (Rep of)	(Rial)	[illegible]	16.4736	10.5122	[illegible]
Yemen (Rep of)	(Dinar)	[illegible]	0.4604	0.2938	0.3724
Yugoslavia	(New Dinar)	1171.88	748.80	477.831	605.623
Zaire Rep	(Zaire)	[illegible]	1795882	1145996	1452483
Zambia	(Kwacha)	[illegible]	309.505	197.503	250.323
Zimbabwe	($)	8.3828	5.3564	3.418	4.3321

Special Drawing Rights December 11, 1992 United Kingdom £0.896270 United States $1.38877 Germany D Mark 2.19287 Japan Yen171.791
European Currency Unit Rates December 14,1992 United Kingdom £0.797870 United States $1.24787 Germany D Mark 1.96040 Japan Yen154.424

Abbreviations: (a) Free rate; (b) Banknote rate; (c) Commercial rate ; (d) Controlled rate; (e) Essential imports; (g) Financial rate; (h) Exports; (i) Non commercial rate; (j) Business rate; (k) Buying rate; (l) Luxury goods; (m) Market rate; (n) Public transaction rate; (o) Official rate; (p) preferential rate; (q) convertible rate; (r) parallel rate; (s) Selling rate; (t) Tourist rate (u) Currencies fixed against the US Dollar (v) Floating rate ; ‡ CIS applies to states in the Rouble Zone. ♦Zambia, 7.12.92, Kwacha devalued by approx. 29pc.
Some data supplied by Bank of America, Economics Department, London Trading Centre. Enquiries: 071 634 4360/5.
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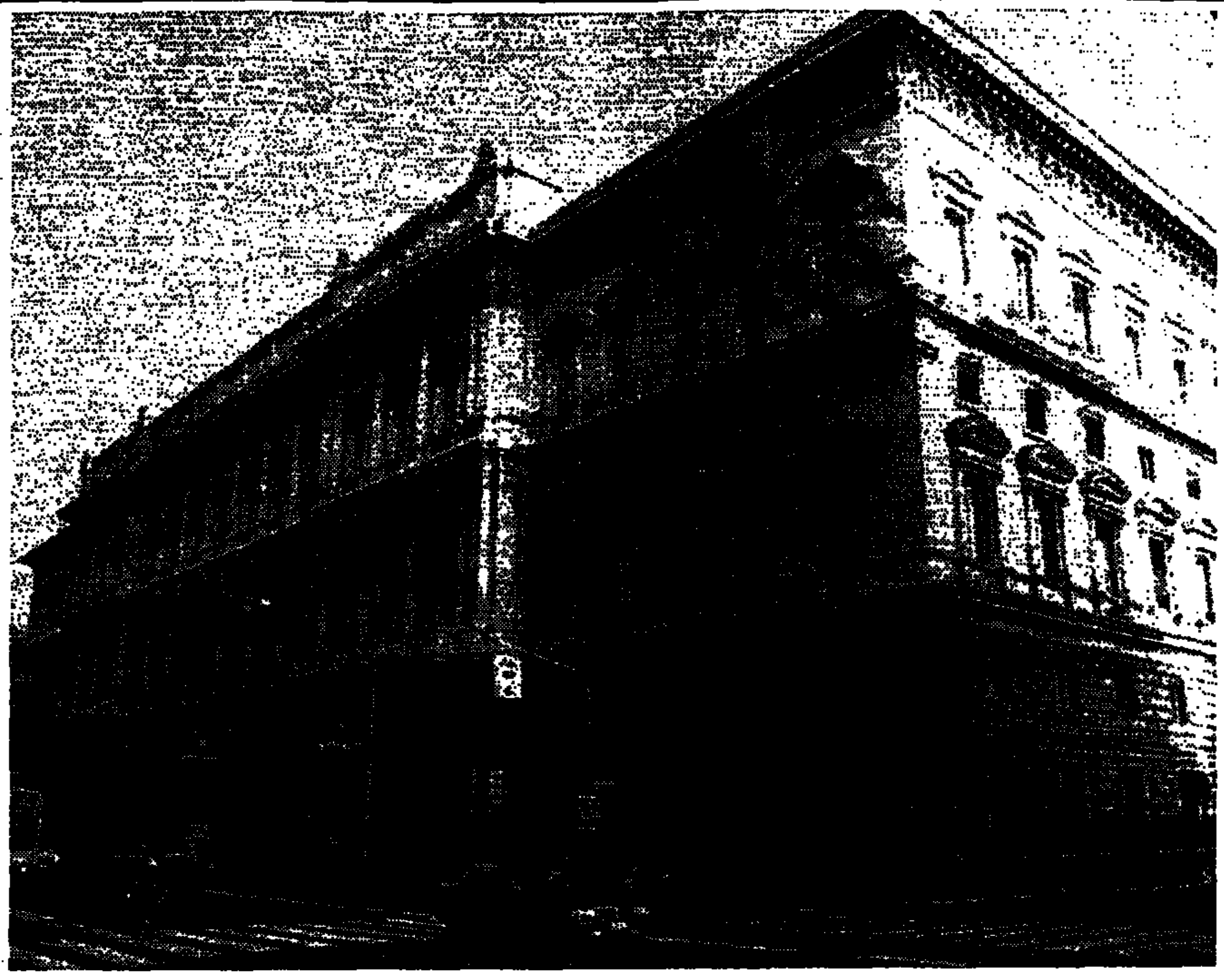
FINANCIAL TIMES SURVEY

European Finance and Investment: **Italy**

Tuesday December 15 1992

Privatisation has quickly gained a place in the financial lexicon with state-owned banks among the first destined for disposal. Will big foreign banks be allowed to bid? Not even the timing has been set yet, writes **Haig Simonian**

New word in the language



The Bank of Italy in Rome: will the central bank encourage further concentration of the domestic banking system? *Trevor Humphries*

SUDDENLY, an unfamiliar, and until recently, slightly suspect, word has entered Italian banking vocabulary. Privatisation, a pillar of the new Amato government's strategy to tackle the huge budget deficit, has quickly gained a place in the financial lexicon.

State-owned banks are among the first assets for disposal. Selling the three banking stakes controlled by IRI, Italy's biggest state holding company, will go a substantial way to plugging the gaping hole in the overborrowed group's accounts, which now show consolidated debts of over L60,000bn. Disposals of other companies such as Istituto Mobiliare Italiano, the big Rome-based financial services and insurance group, or subsidiaries of capital-hungry Banca Nazionale del Lavoro could change the banking scene even further.

Privatisation could also usher in a new era in Italian banking by freeing banks from decades of political interference. That would liberate management to make key decisions on expansion or takeovers on the basis of market forces, rather than traditional political horse trading and the need to share patronage among the main parties. Already, liberalised rules on branching mean that consumers have gained far greater choice in their banking relationships by subjecting the banks to increasing competition.

The past year has already seen limited steps in the direction of the market, with the flotation of minority stakes in two public sector banks. Banco di Napoli, the first, quoted around 20 per cent of its ordinary shares in November 1991. Last January, the process took a hefty step forward with the L1,250bn initial public offering of 20 per cent of the shares in Istituto Bancario San Paolo di Torino, now Italy's biggest bank in terms of assets.

The prospect of selling Credito Italiano, the first of the IRI banks due to be privatised, Banca Commerciale Italiana and IRI's remaining 35 per cent stake in Banca di Roma has already created a new wave of uncertainty in banking circles.

So far, there are far more questions than answers. Who will buy the shares? Will the government opt for broad public flotations, possibly buttressed by a "hard core" of domestic institutional investors, or look to single buyers? If the latter, will the Bank of Italy tolerate purchases by big foreign banks keen to expand in Italy, which are the most obvious, but least acceptable, bidders? Or will the central bank pull out all the stops to encourage further concentration of the domestic banking system before letting outsiders pick up some of Italy's financial flagships?

Not even the simplest question, timing, has been answered yet, although many bankers expect IRI to sell its 67 per cent of Credito Italiano in the early months of 1993.

Privatisations, due to raise L27,000bn for the government over the next three years, also imply other changes. None more so than in stimulating the stock market. In spite of a series of new laws reforming share trading, banning insider dealing and setting out new rules on takeover bids, the Milan bourse has remained a sorry place this year.

Turnover, although stimulated in the past two months by speculation over possible privatisation stocks, remains relatively low, if above the depressed levels of July and August. Not even a concession by the government – to suspend the highly unpopular capital gains tax until next September for most private investors – has been enough to revive sentiment.

If the creation of a broad share-owning public is the government's aim, then stronger action will be necessary to boost equity trading. Attempts to introduce tax breaks for long-term private investors have so far proved confused, while legislation to create pension funds, which would pump new institutional money into the market, is moving forward, but not fast enough.

However, ministers still baulk at the biggest single reform to redress the imbalance between government bonds, which retain strong tax advantages for investors, and shares. Removing some of the tax breaks on treasury bills – the most popular form of short-term savings instrument – could greatly bolster the equity market. But tampering with the flow of private savings into funding the government deficit is a reform that few ministers would risk taking.

Meanwhile, the prospect of privatisation has added to the already considerable uncertainty surrounding many of Italy's leading banks by throwing new, and unexpected, cards into the air.

The process of concentration to create fewer, bigger banks with nationwide coverage and the fullest range of services has been edging ahead under two champions. While San Paolo has consolidated its position in wholesale banking through the takeover of Crediop, the treasury-owned medium to long-term lending institution, the new Banca di Roma has already become Italy's biggest bank in terms of branches.

Formed from the three-way merger of the Rome savings bank – very much in the driver's seat – Banco di Santo Spirito and Banco di Roma, the new group is expanding aggressively. Yet even its horizons are clouded by the question of who will buy IRI's 35 per cent stake.

Similar uncertainty surrounds many other big public sector banks, irrespective of whether they are on the privatisation list or not. Plans to sell IMI to Italy's savings banks, led by Cariplo of Milan, may reach fruition by the end of 1992 after almost two years of volatile talks. Yet even in the closing weeks before the government's year-end deadline for the deal, which is a major element in this year's scheduled income from asset sales, new doubts have complicated the transaction.

Almost as much uncertainty troubles BNL, the big treasury-owned bank whose reputation is still reeling from the disclosure three years ago of huge, unauthorised loans to Iraq from its Atlanta branch. Although BNL's need for a recapitalisation has grown no less urgent with the passage of time, the source of its essential new funds remains as fuzzy as ever.

The problems at BNL, which has gone some way to improving earnings and removing the stigma of Atlanta under its new management, has been exacerbated by the well-publicised decision by Ina, the state-owned insurance group which is another prime privatisation candidate, to divest its 20 per cent stake in the bank. Disposing of the BNL shares is a virtual precondition to floating Ina, which also has a substantial holding in IMI.

Rather than throwing in its lot with BNL, as was widely expected, Ina decided earlier this year to seal a cross-marketing pact for banking and insurance products with Banca di Roma. The alliance, one of a string of recent agreements in "bancassurance" which have already linked Generali and RAS with BCI and San Paolo with the Fondiaria group, is likely to be followed by other bank-insurance ties.

Such alliances highlight the degree to which many of the pieces in Italy's new jigsaw of financial services are closely interlinked. And at some stage, the authorities will also need to turn their attention to the south, where Banco di Napoli, Banco di Sicilia and Banco di Sardegna all probably need to find new partners.

Matters are no clearer in the private sector. Recent weeks have been decisive for Banco Ambrosiano Veneto (Ambroveneto), now Italy's biggest private sector bank, following the decision by two of the five institutions controlling its shares to pull out. Meanwhile, Banca Nazionale dell'Agricoltura, previously the country's largest private sector financial institution, continues to be beset by poor profitability which has raised growing doubts about the ability of its controlling shareholder to maintain the bank's independence.

Against this background, Italy's banks face the problem of declining loan quality as a result of the growing recession. The fall in corporate profits and the rising payments difficulties of business customers mean that banks will have to make much higher lending provisions when they report their 1992 results. Add to that the prospect of hefty write-downs on government bond portfolios caused by the collapse in prices ahead of September's currency turmoil and the likelihood of sharp losses on the value of banks' equity holdings, and the overall picture emerges of Italian banking at the crossroads, facing great opportunities one way and unprecedented difficulties and uncertainty in the other.

IN THIS SURVEY

Why the lira has been kept in free float since September

No hurry to re-enter the ERM

BRITAIN AND Italy are both in the same boat with their currencies floating outside the European Community's exchange rate mechanisms. Yet in public their respective positions on re-entry are diametrically opposite.

The British, consistently reluctant to surrender the ultimate initiative on monetary policy, insisted at the outset that they were in no hurry to return to the ERM. In contrast, the Amato government immediately said it would seek re-entry as soon as possible.

The Italian view was not surprising. Being inside the ERM has always been seen, at least by the Bank of Italy, both as a necessary discipline and an essential element in the battle against inflation. The politicians for their part never seriously worried about surrendering sovereignty to Brussels because Italy had always been a committed European and federalist in outlook.

With the financial markets remaining unsettled, the positions of the two countries in practice have become much closer. It suits neither to re-enter the ERM in a hurry – at least in its present form. Both the Bank of Italy and the Italian treasury have said as much in recent weeks.

Indeed, it has been advantageous for the Italian authorities to keep the lira in free float since September, benefiting from what one newspaper called the "serenity of the excluded". The Bank of Italy has not had to intervene to support the lira which has been allowed to seek its own level without a formal fixing and, as in Britain, interest rates have begun to come down.

It is now known that the defence of the lira cost the Bank of Italy L30,000bn in reserves and that support from the Bundesbank and Belgian central bank was to the tune of L27,330bn – the bulk coming from the Germans. At the end of September net reserves had fallen to their lowest since 1978, standing at L32,917bn against L108,581bn 12 months before. By the end of October they had climbed back to L44,157bn.

For almost three weeks after the lira was devalued by 7 per cent against the D-mark, the currency appeared to be in free fall. At one stage the lira was being quoted close to 1,000 against the D-mark. However, the Bank of Italy proved right in its judgment that was an offshoot which would be corrected and by late October the parity had fallen back. In recent weeks it has been oscillating between L850-880 – equivalent to a 15 per cent devaluation against the D-mark.

The Italian authorities remain bitter about the way that the lira was forced to devalue alone on the weekend of September 12-13, convinced that a major opportunity was lost for a more general realignment of the ERM (and a consequently more responsive drop in German interest rates). The Bank of Italy in particular had linked the credibility of its policies to defence of the lira within the ERM. Although obliged by circumstances to reverse this position, the Italians have good justification to say they were given insufficient support from its EC partners and the subsequent turmoil was the price paid by everyone.

At the time of being forced out of the ERM, the government insisted this would be a temporary status and that Italy would return as soon as possible. Their commitment to the ERM was undoubtedly genuine, but the authorities also emphasised it for the very practical reason that they needed to sustain international credibility amid fears that fiscal policy might be relaxed and inflation return as a result of devaluation. The same thinking lay behind the subsequent request for an Ecu8bn stand-by facility from the EC.

No timetable was formulated in public; but unofficially, the government believed it would be able to seek re-entry once the 1993 budget had been approved, the EC loan had been negotiated and the currency markets had settled to give a stable judgment of the lira's parity. Initially, this pointed to somewhere between mid-December and early January.

The 1993 budget, raising an extra L93,000bn in fresh taxes and revenues, will have gone through parliament by the time this survey appears. Although the 1993 public sector deficit will only be held down to this year's levels, equivalent to over 10.5 per cent of GDP, for the first time structural changes have been introduced to curb spending. These will affect four key areas which have traditionally drained the treasury – public health, pensions, the civil service and local administration. The reforms will also have a cumulative effect in ensuing years.

Clear evidence of tackling the budget deficit has been, and will continue to be, a pre-condition for Italy's credibility in the markets. Indeed, one of the main factors behind the weakness of the lira was the markets' view that not enough was being done to tackle Italy's deteriorating public finances.

The Bank of Italy has been able to cut the discount rate twice since the high defence rate of 15 per cent introduced in September. At 13 per cent, rates are still high and must come down further. Nevertheless, each percentage point reduction reduces by nearly L15,000bn the annual cost of debt service – a cost which next year will account for the entire public sector deficit.

But the other conditions for re-entry have yet to be satisfied. Negotiations on the EC loan have been slow and the currency markets have far from settled. Added to this, the very nature and stability of the ERM have come into question, and the lira's re-entry is an integral part of this issue. Italy, after all, has been able to devalue by a far greater percentage than would have been permitted by its partners back in September as part of a broad EC currency realignment.

France, for instance, is concerned that with Italy accounting for almost 14 per cent of its total imports, the lira enjoys too great a competitive edge on its current devaluation. On the other hand, the lira cannot re-enter at a parity which the markets would deem as too high. This would merely prompt speculation – and perhaps force the Italian currency once again out of the ERM, and so further damage the credibility of the system as a whole.

This suggests that without a change in the ERM rules, Italy may find it more convenient to keep the lira floating while stating it wishes to join the system "as soon as possible".

Robert Graham

More than one bank branch opens every day, reports **David Lane**

Boom with no end in sight

SINCE bank network expansion was liberalised, with the easing of the central bank's tight constraints in March 1990, branch blight has hit Italy. Opening thousands of new branches in cities, towns and villages, commercial banks have been aggressively seeking to expand their territories and increase domestic market share.

Italy's 1,100 banks had a total of just under 15,600 bank branches at the end of 1989. By the end of last year the figure had risen to nearly 19,100. But an end to the boom in branch openings is still not in sight. This year the milestone of 20,000 branches has been passed, and a further 1,400 new branches were authorised in the first nine months.

"Many small towns are still without bank branches, and most of the branches opened last year were in virgin territory"

"Many small towns are still without bank branches, and most of the new branches we opened last year were in virgin territory," says Mr Cesare Geronzi, Banca di Roma's general manager. The Rome bank, created by the Cassa di Risparmio di Roma's takeovers of Banco di Santo Spirito and Banco di Roma, has the most aggressive expansion strategy of the main Italian banks.

The merger of the three banks, completed in August, has not resulted in branch closures. Quite the contrary. "The networks of the individual banks were not sufficiently differentiated geographically. We have beefed up our presence where we were weak before. At the end of last year we had 850 branches. Now there are 1,060. By the end of 1993 there will be 1,380," says Mr Geronzi.

The bank has used its own internal resources, both financial and human, to achieve network growth. "Rationalising back office and head office activities has freed personnel to staff new branches. Most of the openings are leanly-manned *sportelli leggeri*, [small branches] with high automation and a handful of employees," explains Mr Geronzi.

Banca di Roma's general manager is particularly pleased about the commercial agreement announced this spring with INA, the state-owned insurer. Nearly 180 of the new branches will be located in INA general agencies. "The arrangement is advantageous for both partners. Our large branch network is ideal for distributing insurance products, while the bank's presence within INA's organisation strengthens its financial activity."

Mr Geronzi sees the expansion of the large banks like his own as necessary and inevitable for the creation of truly national banks able to offer a full range of services to a broad customer base throughout the country. He expresses serious reservations, however, about the expansion of small banks.

Many small and medium-sized banks, he believes, have opened in Rome and Milan for image only. "Opening sporadic branches does not create networks. The competition they offer has no rational basis, and will certainly not help their profit and loss accounts. The newcomers are engaged in a price war to obtain marginal, high-risk business."

The top 10 banks (figures in $m)

	Capital	Assets	Pre-tax profits
Cariplo	5,973	108,076	995
Istituto Bancario San Paolo di Torino	5,966	178,243	1,258
Banco Nazionale del Lavoro	5,544	124,954	247
Monte dei Paschi di Siena	4,929	106,544	714
Banco di Santo Spirito	4,903	54,916	444
Istituto Mobiliare Italiano	4,074	38,920	250
Banco Commerciale Italiana	3,854	101,688	546
Banco di Napoli	3,759	83,962	305
Banco di Roma	3,473	69,368	198
Credito Italiano	3,076	81,963	492

Source: The Banker (September 1992)

The central bank probably has similar thoughts. The analysis it published earlier this year showed that small and medium-sized banks appear to have satisfied their expansionary aims, or that the authorities consider their expansion sufficient. Having won approval for 1,533 new branches in 1990, they received the go-ahead for only 723 last year.

Though like Banca di Roma, it is a front-runner in its branch expansion, Turin's Sanpaolo has been one of the least aggressive of Italy's large banks. In the first half of the year Sanpaolo and its Lombardy subsidiaries Banco Lariano and Banca Provinciale Lombarda recorded net openings of only 27 new branches. Even so the group, with just over 800 branches at the end of June, operates one of the biggest networks in Italy. Sanpaolo alone will have almost 500 at the end of the year.

The bank has chosen a sharply focused expansion programme, rather than saturation. "Above all, Sanpaolo has been concerned with consolidating its presence in its home areas of Piedmont, the Valle d'Aosta and Liguria, and in the large conurbations of Turin, Milan, Genoa, Rome and Naples. New branches aim to fill gaps in the market and in the operations of existing branches," says Mr Gianni Zandano, Sanpaolo's chairman.

Mr Zandano explains that branch expansion is a crucial element to achieve the aim of boosting retail activity and strengthening deposit-taking among small and medium-sized customers. Like other banks, in the increasingly competitive Italian banking environment, Sanpaolo's new branches are predominantly *sportelli leggeri*.

Formerly a public law credit institution, Sanpaolo started 1992 in its new form of joint stock corporation and soon made news with the first large-scale partial banking privatisation. Its public offer of 20 per cent of ordinary stock in March was heavily over-subscribed.

When its transformation was undertaken at the end of last year, the Sanpaolo had taken its stake in Crediop, the Rome-based medium and long-term institution formerly controlled by the Treasury, to 89 per cent. This represents a major investment. Sanpaolo aims to exploit its own branch network to boost Crediop's business with small and medium-sized companies.

Crediop will feature in an important rationalisation exercise in the first half of 1993, when its Credipar investment banking arm will be merged with Sanpaolo Finance. "The two companies are well matched," says Mr Zandano. He adds that own resources of L500bn and new wide-ranging articles of association will give the operation a sharp competitive edge.

Sanpaolo's strategy appears to be paying off. "In conditions that are certainly not easy, the Sanpaolo closed the first half of the year with excellent results that have been confirmed by figures at the end of September," notes Mr Zandano. Contribution margin and gross operating margin were respectively 21 and 39 per cent higher than at the same stage last year.

Sanpaolo could be among a minority when banks close their books at year-end. Many bankers expect poor figures and an out-turn worse than 1991. Aggregate statistics from the central bank show that the banking system's net profits slipped by 3.8 per cent last year. Though there was a slight improvement in gross operating profit, which rose by 1.1 per cent, given 6.4 per cent inflation, this was a decline in real terms.

With economic difficulties becoming evident, provisions for bad loans are likely to increase. Already last year the adjusted ratio of default to lending worsened, from 5.5 to 5.9 per cent. "Even in Italy the deterioration of assets has now become a concrete reality," observes Mr Zandano, pointing to the downturn in the economic cycle and the delayed effects of the 1989-90 lending boom as the reasons.

However, while circumstances are making them give even closer attention to the accounts, it is unlikely that Italian bankers will let opportunities slip. With privatisation offering scope for interesting operations, bankers will be keeping their eyes skinned and ears open.

After two major takeovers there is speculation that Banca di Roma may still want to grow by acquisition. Mr Geronzi scotches such rumours, emphasising that

With privatisation offering scope for interesting operations, bankers will be keeping their eyes skinned and ears open

Banca di Roma will have reached its definitive banking structure by the end of next year and has no large banking operations in mind. And its controlling shareholder, the Cassa di Risparmio di Roma, is not a candidate for the 35 per cent stake that the IRI state holding corporation will sell. "But we would be very happy if a foreign shareholder acquired this stake," remarks Mr Geronzi.

Will Banca di Roma be a detached observer when the Treasury sells INA? Mr Geronzi says that the bank's agreement with the state-owned insurance company is strictly commercial, contractually watertight and not at risk. But it is hard to envisage the bank standing quietly on the sidelines when INA is privatised. Operations like this promise to add colour to Italian banking in coming months, contrasting with the dull tones of banks' accounts.

The futures market gets under way

High point in a hard year

DESPITE being the largest bond market in Europe, the Italian market has been rather slow to develop more sophisticated financial instruments based on bonds.

So the development of a domestic futures market counts as a high point in what has otherwise proved a difficult year for the Italian bond market.

Mif, the Mercato Italiano Futures (Mif), was launched in September, at a time when the bond market was particularly volatile and trading volume unusually high. Mif added a 10-year bond futures contract to the existing Telematico screen-based system, which is used for government bond trading.

The new market attracted a fresh domestic investor base, which had not previously traded futures

The new market succeeded in attracting a fresh domestic investor base, which had not previously traded futures.

In addition, Mif won some business from the London International Financial Futures Exchange (Liffe).

Liffe launched its highly successful 10-year Italian government bond contract in September 1991, and saw off a rival contract launched by the Matif, the Paris-based exchange.

The contract helped bring more sophisticated investors, including arbitrage players, into the Italian market. In June, the Liffe contract traded an impressive average daily volume of 29,000 contracts in June.

Since the launch of Mif, Liffe's market share has fallen to 60 per cent, currently around 9,000 contracts a day, following a decline in volume due to the market's fall from favour.

The Italian market is unusual in supporting two actively-traded competing contracts, both actively traded: the other notable example is that of the rival Bund contracts traded by Liffe and the German exchange, the Deutsche Terminbörse, with about the same market split.

"It is very likely that the Liffe and Mif contracts will co-exist," believes Mr Eugenio Namor, head of futures broking at San Paolo in London, since they still serve rather different investor bases.

The introduction of the two bond futures contracts has made the market both easier to trade and more attractive to a broad range of investors.

The futures market proved its value during the crisis month of September. When the cash market had totally dried up, so that investors were unable to get prices or sell bonds, the futures market continued to trade.

Mif is currently preparing a new bond contract, based on five-year bonds, which is scheduled for launch on December 18.

Some dealers believe the new contract will help attract more international business to the Italian exchange.

"Most international players have stuck with Liffe, because they are more familiar with it," says one Italian trader familiar with both markets. "But the five-year contract will give investors the chance to play the yield curve."

The contract will also be of use provide a vital new hedging instruments for swap traders.

Mif is also planning to develop a three-month interest rate future, similar to that traded on Liffe.

The introduction of the five-year bond contract could also have an effect on the shape of the Italian yield curve.

Currently, the yield curve is flat. However, Mr Steve Major, a bond analyst at Credit Lyonnais Securities, believes that the flatness of the yield curve has been exaggerated by the concentration of activity in the 10-year area, because it is easier to hedge through existing contracts.

He argues that the longer end of the yield curve should be more upward sloping, reflecting uncertainty on such issues as the budget deficit.

The availability of a hedging instrument for five-year bonds could shift activity from 10-year to five-year paper, causing 10-year yields to rise.

Some traders believe that there is currently a liquidity premium on offer in five-year yields, which could disappear once the five-year area is more actively traded.

Tracy Corrigan

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The state's debt problems

Efim upsets the bankers

ITALY IS fast acquiring a reputation as unreliable among international bankers. The collapse of Federconsorzi, the farm services group, followed by the ugly dispute over Efim, which went into voluntary liquidation in July this year, have tarnished the country's reputation as a borrower.

The Efim affair remains unresolved as far as many bankers are concerned. Six months after the state holding group – which controls about 140 companies ranging from helicopter makers to glass manufacturers – collapsed, foreign bankers still have not received any of the money that they are owed.

Privately, foreign banks warn that Italian state borrowers could find it hard to raise money in the international syndicated loans market in future unless they are prepared to pay handsome terms for the privilege.

Eighteen months ago, international banks clashed with the Italian authorities over Federconsorzi, the farm services group which went under with debts of L4,200bn.

International banks claimed that Federconsorzi had been able to borrow in the syndicated loans market on relatively favourable terms because it was regarded as a state credit to all intents and purposes. They were furious when the Italian government refused to repay Federconsorzi's debts. Many – including the Japanese banks which had a large exposure to Federconsorzi – refused to lend to Italian names in protest.

When Italian borrowers were eventually able to return to the market, pricing on their loans increased to reflect banks' concern over Italian credits.

However, few lessons seem to have been learnt from that affair. Efim was put into liquidation by government decree on July 18 with total bank borrowings of about L9,500bn, of which nearly L4,000bn is owed to foreign banks.

The Italian treasury announced shortly afterwards that creditors would be issued bonds denominated in either Ecu or Lira and paying interest at only about half the market rate – an offer worth about L4,000bn. The proposed coupon on the Lira bonds was 7.25 per cent while that on the Ecu bonds was set at 4 per cent.

The banks were furious at the miserly coupons, saying that the overall deal was equivalent to only 80 per cent of the principal and interest due.

The creditor banks argue that Efim, and its subsidiaries Agusta and Safim, were able to borrow in the international loans market on competitive terms. Agusta and Safim were treated as state risks, even though there was no explicit Treasury guarantee.

After several weeks of lobbying, the state eventually relented and agreed to repay the debts in full. However, banks complain that they have had no further details of how they will be repaid or when.

Under the terms of the latest decree, the Treasury will guarantee in full those loans made to the failed holding company and its wholly-owned subsidiaries, also in liquidation. However, foreign bankers remain uncertain over the implications for loans made to those subsidiaries which are not wholly-owned by Efim, such as the Agusta helicopters group.

The Italian government said in October that Efim's loss-making aerospace and defence interests would be transferred to IRI (Italy's largest state holding group) to be managed, pending their sale. These include Agusta and Oto Melara, a missiles producer. The government has said it will take on the debts owed by Agusta and Oto Melara.

The Efim débâcle has coloured bankers' perceptions of Italian risk. Many argue that the clumsy handling of its debt repayments could make bankers reluctant to lend to other state-controlled names, such as IRI.

Certainly, Italian names have been frequent users of the international syndicated loans market in the past. Total syndicated borrowing reached a peak of \$14.69bn in 1990, falling back to \$8.03bn in 1991 and a mere \$4.95bn so far in 1992, according to figures provided by Euromoney Loanware.

Bankers point out that several loans to IRI, ENI and ENEL, the state holding companies, are due to mature in the next year or so. It could turn out to be expensive and difficult to refinance these borrowings in the loans market.

The top state-owned borrowers, such as Ferrovie, the railway, and ENEL, the electricity utility, have traditionally had easy access to a range of financial markets – so if the syndicated loans market is closed off to them, they can tap other markets such as the bond market instead. But small financial institutions which have depended on the syndicated loan market in the past could find other sources of funds difficult to obtain.

Bankers report that few Italian state borrowers are willing to approach the syndicated loans market while the Efim affair drags on. Coming after the Federconsorzi scandal, bankers are naturally even less willing to lend to Italian state names at a time when the economic background in Italy appears to be deteriorating.

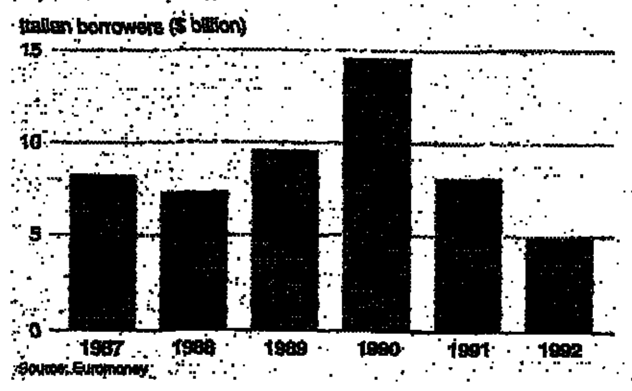
Isveimer, the Italian credit institution, recently launched a \$150m floating rate note (FRN) issue, and bankers point out that the generous terms of the deal reflect the need to overcome a general uneasiness about Italian borrowers.

However, not all have been treated in this way. Fiat, Italy's largest private industrial conglomerate, recently succeeded in raising the amount borrowed via a five-year revolving credit facility to \$800m from the \$500m it had originally planned. The pricing – of 55 basis points over the London interbank offered rate – was seen as relatively aggressive. Bankers point out Fiat is one Italian name that has not been damaged by the Efim affair.

In many cases, however, bankers are waiting for the resolution of the affair before they rush to lend to Italian names.

Sara Webb

International syndicated loans market



The dealing room in the Bank of San Paolo, Turin — Trevor Humphries

Why the market is likely to take some time to pick up

'It's too early for bonds'

THE ITALIAN bond market currently represents something of a conundrum for investors.

International investors have been badly burnt by volatile market conditions, including a currency devaluation, this year. Worse, they are still not at all convinced that the structural problems facing the Italian economy will be overcome. Many of them are biding their time before re-entering the market, at least until they feel more confident about the stability of the currency.

Yet Italy offers among the highest real rates of interest in Europe. At current levels, the market may well prove to be oversold, and when the German Bundesbank starts to cut interest rates, Italian bonds will be among the beneficiaries.

Still, investor confidence is not yet close to being restored.

"Given the continuing tensions and strains within the exchange rate mechanism, it is a bit early to consider moving back into Italian bonds," believes Mr Nick Henderson, head of fixed interest at Gartmore, which sold all its Italian bond holdings eight months ago.

Mr Ray Greenshields of AMP Asset Management says that he is watching the market with interest "but our fingers are not poised on the trigger.

"We need to have a lot more confidence in the fiscal and monetary management of the country before we would go in as a physical investor". He adds that the use of options on the market has been considered, but even that route has been thought to be too risky.

One London-based securities firm, once fairly active in the market, no longer has any clients holding Italian bonds, according to a trader there. "We still trade on our own account, but there is no investor interest at all," he says.

The largest government bond market in Europe, and the third largest in the world after the US and Japan, Italy is caught in a debt-trap.

Its public debt versus gross domestic product ratio, currently 103 per cent, is set to rise further, unless the government manages to bring the budget deficit under control.

There are signs that it has the will, but, even when the budget deficit reduction programme is approved, it will still be hard to convince investors that the policy will be rigidly imposed, given the country's history of political instability.

But the Italian government's financing needs leave little room for manoeuvre. Unlike the UK, Italy has not been able to benefit from its withdrawal from the exchange rate mechanism by drastically cutting interest rates, because without high interest rates, it will not be able to fund its deficit.

Some managers have lost confidence in the liquidity of the market. Despite its size, volatility has made it one of the most difficult to trade. When short-term interest rates shot up, dealers found themselves losing money. They gradually stopped making prices and liquidity disappeared

However, unless interest rates fall, servicing of the public debt will continue to eat up a large part of government revenues.

Although Belgium has an even larger public debt relative to GDP, at 133 per cent, analysts point out that, unlike Italy, Belgium's debt ratio is moving in the right direction.

Nevertheless, Mr Giorgio Radaelli, an international economist at Lehman Brothers, believes there is some room for optimism on the bond market's prospects. "In the long run, the outlook is for rates to move downwards," he says. He believes that the debt ratio will be stabilised and that European economic union is still likely to go ahead, with Italy as a part of it.

He points out that, while Italy may not meet Maastricht targets on debt levels, Belgium is not likely to either, and it is inconceivable for union to take place without Belgium.

"Domestic investors are more bullish on Emu (than international investors)," says Mr Radaelli.

From the Italian government's point of view, the continued goodwill of domestic investors is vital. Despite a huge surge of international interest in Italian bonds in recent years, international investors still account for only 7 per cent of the market, mostly fixed-rate Buoni del Tesoro Poliennali (BTPs).

International investors still have to pay withholding tax on Italian government bonds (since the mechanism for reclaiming tax still fails to function) so that 10-year bonds yield 12 per cent for international investors, compared with 13.7 per cent for Italians.

Still, with inflation at just under 5 per cent, the rates would be attractive, were it not for continued concern about the currency.

However, some fund managers are considering re-entering the bond market, but fully hedging any currency risk. "I think we will move back into Italian bonds within the next six months," says one London-based fund manager who declined to be quoted. "The market has had a tempestuous time and that has made it much cheaper, compared with other European markets. The currency may well devalue further, but that is not necessarily bad news for bonds, in lira terms. So we would hedge out the currency risk."

Some managers have also lost confidence in the liquidity of the market. Despite its size, the market's volatility has made it one of the most difficult to trade. When short-term interest rates shot up, positions taken by dealers became very expensive to hold. As dealers found themselves losing money on the market, they gradually stopped making prices and liquidity in the cash market disappeared.

Some investors were not only unable to sell their bonds, they were not even able to get prices. When prices were quoted, the market jumped in gaps of as much as two points.

While stability has now returned to the market, investors and traders are likely to maintain a wary stance for some time to come.

Tracy Corrigan

FINANCE FOR INDUSTRY

Slide in lira will lead to casualties

WHEN Mr Guiliano Amato, the Italian prime minister, intervened in October to chivvy banks for not cutting their interest rates fast enough after the previous month's currency turmoil, which had seen rates hit near-record levels, it was clear that finance for industry had become a key issue.

Since then, a chorus of bankers and businessmen have given their views on whether the financial system is responsive enough to the needs of industry, while the state-dominated banking system has toed the line and eased down borrowing levels.

The debate on corporate lending is by no means over, however. In late October, Mr Carlo Azeglio Ciampi, the governor of the Bank of Italy, took what many economists saw as the significant step of directly requesting the country's banks to limit their future lira lending to domestic customers.

Under the Bank of Italy's demand for monthly details of new lending growth, banks were requested to keep credits to within precisely observed percentage limits of base levels set from the January-March period this year. Loans could go up by 3 per cent in November, 8 per cent in December and by either 7 per cent or 8 per cent monthly until March, when presumably the central bank will reassess the situation.

The Bank of Italy's decision, which for some economists is an unwelcome echo of the regimented 1970s and 1980s when lending was strictly controlled, was purely a matter of "moral suasion". The central bank gave no hint of penalties for banks which exceeded its suggested limits. But in Italy's docile banking market, it is unlikely that bankers will fail to toe the line.

As matters stand, corporate borrowers in Italy are faced with an astonishing array of choice when it comes to picking a possible lender. One reason for the multiplicity of sources are the laws introduced after the 1930s depression which divide corporate lending into two main categories.

Under the regulations, now fraying at the edges, commercial banks are limited to what the Bank of Italy calls "short-term" lending – meaning up to 18 months. The banks can also make a limited number of loans for longer periods of up to five years. The precise amount depends on their total shareholders' funds, but the lion's share of corporate credits is of the "short term" variety.

By contrast, medium to long-term lending – defined as being for periods up to 20 years – is the domain of a special group of 11 regional medium-term credit institutions.

Such institutions specialise in structural loans for industry to finance major investments such as new plants, as well as mortgages on commercial property. The medium-term banks are owned by commercial banks in the region, along with municipal and regional authorities.

The 11 are supplemented by two special institutions, Mediobanca and Istituto Mobiliare Italiano (IMI), which combine medium to long-term loans, usually reserved for Italy's blue-chip customers, with a variety of other financial services including investment banking and corporate finance.

But there is less to the division of responsibilities than meets the eye. With agreed overdraft facilities forming the most popular instrument for industrial finance, companies commonly use rolled-over overdrafts, theoretically limited to 12 months, as a much longer-term form of credit.

"It is a distortion of the system, but short-term lending tends to be used even for companies' medium and long-term financing needs," says one banker. "With a plethora of banking relation- ships, companies have tended to turn lots of separate overdrafts into one effective long-term loan."

The head of marketing at a leading Italian bank explains: "We examine a company's overdraft facility once a year. But rolling it over is usually just a formality provided the company's books are healthy."

Such short-term facilities comprise around a third of the loan finance used by Italian companies, according to figures from the Bank of Italy. The remainder is divided almost equally between supplier credits and long-term bank finance.

For many Italian companies, the prime source of finance is retained profits rather than loans. Even in recession, the tradition of ploughing back earnings into the business is firmly established. According to figures from the central bank, around 45 per cent of company financing comes from internal sources. The figure testifies to the structure of Italian industry, with its plethora of small and medium- sized family-owned companies, which still take pride in bankrolling their growth through retained profits.

By contrast, the limited role of the stock market emerges from the fact that little over 200 companies are quoted. Last year, companies raised around L11,000bn on the bourse – around a fifth of the L50,000bn to L60,000bn provided in new money by the banking system.

Although the stock market is of little relevance in financing the corporate sector, shares comprise a surprisingly high proportion of private savings. That reflects the fact that, although few companies are quoted, many are privately owned. Thus shares comprise around 17 per cent of private savings in Italy – but only quarter of that total is composed of the equity of quoted concerns.

Even finance from specialist institutions such as merchant banks has been on the wane as a result of the lacklustre performance of the bourse – exacerbated by this year's fall in share prices.

Many of the new Italian merchant banks which sprang up in the early 1980s turned to investing in unquoted companies as an exciting new business. They believed that while such companies could have immense product and market know-how, they were often relatively unsophisticated when it came to finance.

With the expected rise in cross-border takeovers from the liberalised European market of the 1990s, many bankers believed such companies might require their expertise in more specialised services such as corporate finance and mergers and acquisition. Eventually, the target was to float the companies – generating big profits for bankers and private family shareholders alike.

That thinking reached a peak in the boom days of the bourse in 1986, when Italian finance appeared to be undergoing a sea change with traditional lending making way for risk capital and eventual flotation.

But after the downturn on the stock market and the onset of tougher trading conditions for many smaller companies, many merchant bankers have found themselves lumbered with minority stakes which they cannot now sell. "They've ended up having to marry their clients for ever," says one economist.

Foreign currency loans, which currently account for around 1 per cent of Italian companies' overall financing, has also turned out to be a mixed blessing after the lira's recent slide.

The attractions of borrowing in low interest rate currencies such as the D-Mark or dollar – the two most common – were obvious at a time of a firm lira based on the Bank of Italy's policy of maintaining a strong currency through high interest rates. Against the D-Mark in particular, the risk of adverse exchange rate movements seemed virtually excluded thanks to the lira's presence in the exchange rate mechanism of the European Monetary System, through which relatively high Italian interest rates sucked in large amounts of foreign capital.

The devaluation of the lira has harshly spotlighted the fallacy of that reasoning. Though relatively few Italian companies have borrowed abroad – and many have hedged their exposures – the slide in the lira will inevitably cause some casualties in the sector when companies find their interest payments have become astronomically higher in lira terms than before.

Haig Simonian

Profile: CREDITO EMILIANO

Maramotti: man behind the beacon of efficiency

FEW entrepreneurs are better placed to speak on relations between banks and industry than Mr Achille Maramotti, the self-made millionaire who has built the family-owned Max Mara women's wear group into one of the most successful international fashion names.

Mr Maramotti, 65, combines running his group with the vice-chairmanship of Credito Emiliano, the regional bank which stands out as one of the most progressive financial institutions in Italy.

Based, like Max Mara, in Reggio Emilia in northern Italy, it is notable for slick customer services and a strong emphasis on marketing. These may be nothing special for foreigners used to smooth-running domestic bank counters, but in Italy, where at most banks the customer often seems to come last, Credito Emiliano is a beacon of efficiency.

Often the distinguishing touches are minor. No other Italian bank produces such clear and legible statements. Nor have any competitors woken up to its practice – commonplace abroad – of having just one queue for all the teller desks, reducing the risk of being stuck behind a slow customer.

"We have excellent management who comb the world for the latest ideas," says Mr Maramotti. "We always wanted a bank which would be at the forefront of developments in the industry." At international banking exhibitions, where new ideas in technology and customer services are on display, the Credito Emiliano team is often the only Italian presence.

As the biggest single shareholder in the bank, which now has total group assets of L6,400bn and made L28.3bn after tax last year, Mr Maramotti speaks with some authority. While he controls only 27 per cent of the stock, a pact with a rich Torinese family, the second biggest shareholder, and a handful of other local businessmen gives the group control of the bank, which also has about 4,000 small shareholders.

Mr Maramotti stresses he is primarily an industrialist, not a financier. "I am an industrialist who has developed a certain interest in banking," he says modestly. Day-to-day management is left to a team of professionals. "I look at this shareholding like one in any other company. But I'm not a silent partner."

Indeed, the deputy chairman clearly takes his job seriously, dividing his time between the bank and Max Mara. That combination gives Mr Maramotti, born and raised in Emilia Romagna, the Italian region synonymous with the small and medium-sized businesses which form the country's economic backbone, a special insight when it comes to talking about banks and industry.

Unlike many competitors in clothing, who have regularly blamed excessive interest rates and inefficient banking services for some at least of Italy's economic ills, he does not think the relationship between bank and borrower is unfairly tilted towards the lender.

"Generally speaking, I think

No other Italian bank produces such clear and legible statements

the banking system works pretty well for industry," he says. "The cost of money is high because the state, with its huge borrowing needs, is the main competitor for funds. Colleagues who complain about shortcomings in the banking system or high interest rates are just looking for excuses. They should run their businesses better instead."

However, Mr Maramotti admits to being atypical of the genre. The growth of Max Mara, which now encompasses 18 lines and consolidated sales of L903bn last year, has come largely from ploughing back

Achille Maramotti: interests in fashion and finance

profits into the business over the years rather than borrowing money. "My relationship with the banking system is very anomalous," he admits. "Max Mara has never paid dividends and we've always reinvested our earnings, so I tend to deposit money rather than borrow it."

But while no one doubts there is a bright future for unquoted, growing companies such as Max Mara, where the founding family is still very much in charge, what awaits medium-sized banks like Credito Emiliano, with limited branch networks and only regional coverage?

Many banking analysts praise the deep local roots and close customer contacts which give such banks their strength. But they are sceptical about longer-term prospects in a European banking system moving steadily towards consolidation and larger, multinational institutions.

Mr Maramotti is confident about Credito Emiliano's future. So much so that he and his fellow shareholders recently pumped in fresh cash to support a rights issue to finance its expansion.

Apart from opening more branches in its base region of Emilia Romagna, growth has also taken it into new ground in southern Italy. Credito Emiliano has bought a number of sometimes troubled banks in the south.

"As we see ourselves as innovative, we believed we could add something new to the banking system in the south. We first looked at Appulia, an economically vibrant region with a less crime-ridden image than some other parts," Mr Maramotti says. "When we couldn't find what we wanted, we turned to Sicily instead."

The acquisitions, which have helped push up total branch numbers to 115 in 17 provinces, have now been cleaned up, he says. And the experience gained in the south has left Credito Emiliano poised to make further acquisitions there should the opportunity arise.

"We think there is a future for the bank," he says. "We have decided to focus on the medium-upper segment of the market for deposits, while we see smaller and medium-sized companies as our obvious clients for lending." So far, the strategy has worked.

A well-managed, profitable bank like Credito Emiliano is an obvious takeover target, particularly for big foreign banks which are still keen to expand in Italy. "We hope we've already reached a size which will allow us to remain independent. So we will turn down all offers," says Mr Maramotti. "And we also believe the more we plough in to developing the company, the more it will be worth in future."

The bank's limited resources would prevent it from making a really big takeover in the hundreds of billions of lire range. But smaller deals are by no means excluded. "There are lots of other shareholders like me ready to invest in this company," says Mr Maramotti confidently.

Haig Simonian

Profile: TANCREDI BIANCHI

A bankable professor

THE last door of a long corridor at Milan's Bocconi University is hardly the most obvious place to find the man now gently steering Italy's banks at a time of unprecedented change.

But the surroundings fit the character of Mr Tancredi Bianchi, the professor of banking economics at Italy's most distinguished university, who was last year's surprise choice to chair the Associazione Bancaria Italiana, Italy's bankers' federation.

ABI is the mouthpiece for all Italy's banks. Sometimes, as in the early 1991 collapse of the Federconsorzi farm services group, it comes out of the shadows to play a central role in a financial drama by representing the entire system in talks with the government and foreign counterparts.

At other times, ABI keeps to the sidelines, providing detailed information to help member banks make better strategic decisions on broad macroeconomic issues or on specialised banking matters.

Mr Bianchi, a Bocconi graduate who has been teaching at his Alma Mater for the past 13 years, prefers the second approach. Instantly recognisable for his shock of grey hair, his clipped, precise sentences are a long shot from the verbiage of some colleagues.

"I was born a university professor," he says, somewhat diffidently. But Mr Bianchi is no wallflower when it comes to defending the Italian banking system. True, the country's banks still have a reputation for inefficiency, small networks and a negligible presence abroad, which put them in the shadow of bigger European rivals.

But many of those characteristics are legacies of rules made years ago, rather than inherent faults in the banks themselves, he emphasises. Attacks on inadequate internationalisation are unfair, he insists. Only in 1990 did Italy finally allow the free movement of capital. "Swiss banks could tell you all about investing in Australian shares or New Zealand bonds: at an Italian bank, such knowledge was useless."

Likewise, the very strict controls on branching imposed by the Bank of Italy until the beginning of the 1990s prevented banks from developing big networks. "Now things are moving, but the problem is that banks have only two ways to grow; either organically, which is slow; or through acquisitions, which is expensive."

Yet on the positive side, Mr Bianchi points out that Italy's banks are relatively profitable – even if largely due to limited foreign competition – and relatively well capitalised.

"The problem is that banks have only two ways to grow – organically, which is slow; or through acquisitions, which is expensive"

He prefers to talk of "restructuring", rather than "rationalising" the banking system to create fewer, bigger banks able to take on the best in Europe. It is a small, but significant, nuance at a time when many medium and smaller banks are uneasy about their fates.

The Amato law on bank mergers of the late 1980s, which accelerated the pace of change by offering tax advantages to banks changing their status into that of joint stock companies or merging, has had some effect. "Along with the European Community's Second Banking Directive, which will prepare the way for universal banking in Italy, such changes will provide the backdrop which could encourage a major leap," Mr Bianchi says. "But we still need a few years."

It is the need for additional funds which will provide the biggest push for change as more banks tap private sector capital, he predicts. Hence privatisation of public sector banks, which currently comprise around three-quarters of the system, is less an ideological issue for Mr Bianchi than one of pure practicality. "It's not that the public sector is inappropriate as a partner in the banking system. Rather, the state is no longer in a position to provide funds."

This year may go down as paving the way for the greatest change. While January brought the flotation of an opening stake in Istituto Bancario San Paolo di Torino, 1992 should close with preliminary steps to privatise a number of state-owned institutions, starting with Credito Italiano. "Restructuring requires additional capital, so there is no doubt the role of private investors will grow," says Mr Bianchi.

Looking ahead, he sees four or five really big Italian banks emerging by the end of the century. Together, they will account for around half the banking system in terms of assets. Two – San Paolo and the new Banca di Roma – have already surfaced. Cariplo, the big Milan-based savings bank which could buy the IMI financial services group, looks like the third. Finding the names for the fourth and fifth is more tricky, but Mr Bianchi points to Banca Nazionale del Lavoro – alone or with a partner – and possibly Monte dei Paschi di Siena as the most likely candidates.

The next level down will comprise banks which are still substantial in size, but whose main focus will be on retail banking, rather than all services, he believes. And there will still be a substantial role for the municipally-owned savings banks, which currently account for around 30 per cent of the Italian banking system.

Rather than remaining locked in their current positions owing to political or regional rivalries, Mr Bianchi expects the savings banks to form bigger units through mergers and takeovers. "There is already some movement," he says. "Some are merging, while in other cases, bigger counterparts such as Cariplo and Banca di Roma are taking minority stakes." Like most observers, he expects those minority participations to become majorities in the end.

In the meantime, more banks will have to decide on their own internal structures. Though most have traditionally adopted the so-called "polyfunctional" model, involving a holding company and subsidiaries for specialised functions such as merchant banking or leasing, the concept of the universal bank is gaining ground.

Tancredi Bianchi: expects savings banks to form bigger units

In the past, the issue has sometimes been decided on fiscal grounds, with banks seeking to reduce their tax bills by choosing the most fitting structure. "If the choice were fiscally neutral, then banks could make the choice on purely organisational grounds," he says.

However, Mr Bianchi doubts that any model will prevail. "It's not a question of winners or losers," he says. Rather, banks such as Banca Commerciale Italiana, which have tended to grow up along the "polyfunctional" path, will probably carry on that way, while others, such as Cariplo, with few subsidiaries, will probably develop their banking activities under one corporate roof.

And what of ABI in the meantime? The role of a bankers' association is to help identify the parameters that might influence important decisions for members. "Our scope is to study banks' problems. We are here to point out possible solutions, not to find answers or give orders. It's up to the banks themselves to decide on how to implement that advice."

Mr Bianchi is now two-thirds the way through his second year at ABI. Its rules allow the chairman up to four renewable two-year terms. "No one stays for eight years," he says. With a queue of students outside his door waiting for advice from their professor-turned-practitioner, he would clearly not be opposed to a second term. "But that is up to the members."

Haig Simonian

David Lane on obstacles to concentration among savings banks

A story of little change

"IN SPITE of generous fiscal encouragement, our banking system has shown scarce propensity to concentration. This might lead one to believe that directors' personal prospects have in some cases prevailed over the interests of the banks' owners," Mr Guido Carli told the Italian banking association ABI earlier this year.

Mr Carli, former governor of the Bank of Italy and treasury minister, probably had the *casse di risparmio* (savings banks) in mind. The Amato-Carli Law, enacted in July 1990, aimed at a radical reorganisation of Italian banking's large public sector.

However, mergers between *casse* have not occurred, despite exhortations from the central bank. Three years ago there were 75 *casse* and seven *monti di credito*, which are included in the savings bank category. At 80 today, the total has changed little.

Savings banks have 29 per cent of deposits in the Italian banking system and 24 per cent of lending. But most *casse* are small. The 10 largest together have about 2,200 branches. The others have networks with an average of about 35 branches.

"The Bank of Italy's encouragement of mergers has encountered resistance," admits Mr Edoardo Fattorini, general manager of the savings banks' association, Acri. But he says that the authorities are right in aiming for a banking system with larger banks as small institutions are unable to provide the range of services and financial products that customers demand.

What strategies are therefore open to the large number of small *casse*? Takeovers and mergers are the obvious path to competitive size. But there have only been a handful. Five years ago the Cassa di Risparmio di Roma took over the Molisana savings bank after this had run into difficulties. Two years later the Cassa di Risparmio di Verona Vicenza e Belluno acquired the troubled Ancona savings bank.

Mergers are now in prospect between the *casse* of Parma and Piacenza, and those of Pesaro and Fano.

Diffident towards mergers, Italy's *casse* are trying two other forms of togetherness. "One is the creation of holdings. The other is the acquisition of minority stakes by large *casse* in smaller institutions," explains Mr Fattorini. Both have been made possible by the Amato-Carli Law, which allowed the *casse* to spin off their banking operations into separate joint stock corporations from the parent foundations or associations.

The first holding was established by seven Tuscan *casse* and *monte di credito* at the end of last year, bringing into a single organisation some activities, such as data processing, training and import/export services, that were previously undertaken independently. A second holding, the Gruppo Bancario Casse Emiliano Romagnole, was formed in July. This links six institutions in Emilia Romagna and has the task of co-ordinating, directing and developing unified strategies in various operating sectors of the constituent banks.

The main savings banks (figures in Lbn)

	Total assets	Customer deposits	Net equity	Operating income	Branches
Cariplo	108,504	71,278	6,650	958	505
Torino	32,142	18,571	2,376	188	299
Verona Vicenza Belluno	20,080	10,898	1,630	409	237
Firenze	15,417	9,722	1,010	236	195
Sicilcassa	15,297	10,408	467	36	238
Padova Rovigo	13,776	7,336	1,333	326	143
Genova Imperia	10,981	7,063	605	99	147
Bologna	10,598	5,377	1,031	193	88
Carimonte	10,015	6,637	792	75	122
Calabria Lucania	8,962	6,989	396	2	150

Source: *Il Mondo*

There has been speculation about public offers of shares. Some people believe a real shake-up is needed, rather than stability

In the acquisition of minority stakes, the trail is being blazed by the Gruppo Cassa di Risparmio di Roma, which controls Banca di Roma, and by Italy's biggest savings bank, Cariplo. Milan-based Cariplo already has equity interests in 12 *casse* in central and southern Italy. "In this form of concentration, the large *cassa* provides the sophisticated services and products that are beyond the capacity of its smaller partners," explains Mr Roberto Mazzotta, Cariplo's chairman.

When reorganisation of Italy's savings banks became a talking point in the second half of the 1980s, there was concern among the small *casse* that they would be swallowed by Cariplo and the large institutions. Mr Mazzotta, chairman of Acri as well as Cariplo, has tried to calm these fears, emphasising the importance of maintaining local identities.

"There is no reason why small and medium-sized *casse* should disappear. They have very strong links with their areas of operation, particularly with local bodies, small businesses and the family sector," he says. It is not unusual for a *cassa* to hold more than 50 per cent of its local market.

They have had many years in which to carve out their shares. The *monti di credito* were established in the 15th century to combat usury, providing loans to the poor against assets deposited as pledges. The *casse* are more recent. The first were set up in the 19th century in northern Italy by the Austrians.

Perhaps their deep local roots have contributed to the *casse*'s reputation for highly politicised boardrooms. Mr Mazzotta explains that members of the boards of the foundations or associations that control the banking joint stock corporations are appointed by local government.

Chairmen are appointed by the CICR interministerial committee for credit and savings, though there will be a referendum next spring to abrogate the law which empowers central government to appoint savings banks' chairmen. "It seems certain to be approved by the electorate, thereby returning the power of appointment to local authorities," says Mr Mazzotta, adding that this will enhance local autonomy.

It is easy to understand why politicians should be so interested in these levers of power. There are recent cases of *casse* running into difficulties because of politically-directed lending. Bank of Italy statistics show that the savings banks have worse default figures than other categories (6.1 per cent of lending against 5.1 per cent for the system overall).

But Mr Fattorini says that there are reasons for this. The close ties to the family sector have led to higher provisions against consumer credit activity. Also, the *casse* are more rigorous in classifying their non-performing loans.

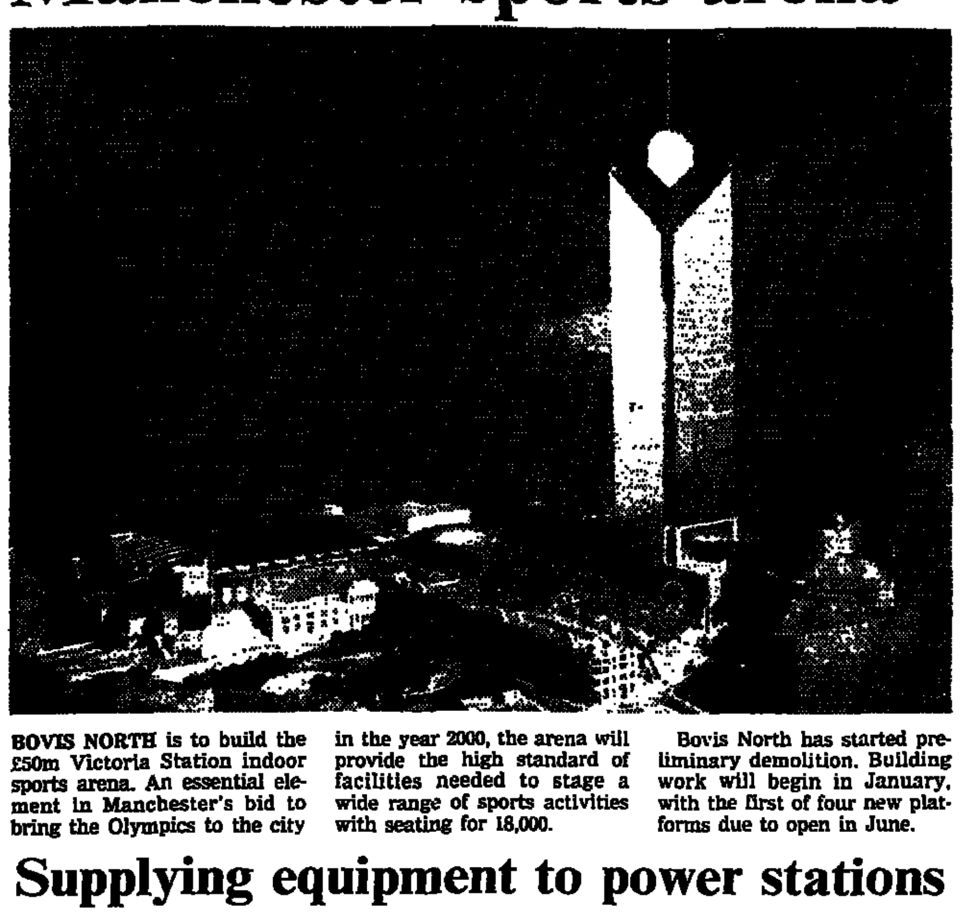
Political interest in appointments to the banks' boards is, however, probably as much in profit distribution as lending management. Before the Amato-Carli Law, the *casse* retained part of profits for capital reinforcement and distributed part in beneficence. Little has changed. The new foundations and associations obtain dividends from the banking joint stock corporations and use these for charity and good works, giving scope for tending local political constituencies.

There has been speculation about public offers of shares in the *casse*. Indeed, Mr Mazzotta hopes that there will be widespread share ownership with involvement by institutional investors. But Acri's chairman would not like to see the existing control disappear. "There should be no takeovers. Stability should be guaranteed by the foundations and associations." However, some people believe a real shake-up is needed, rather than stability.

Mr Mazzotta talks of arriving at three or four large groups in the next five years. But in making retention of local character the main priority, and in satisfying the politicians' appetite for boardroom power, Italy's *casse* have dodged the reorganisation issue.

One hundred years ago Italy had 200 savings banks. Their number was sharply reduced by legislation in 1926 which made mergers obligatory. Perhaps Mr Carli should have included a similar measure in the Amato-Carli Law.

Manchester sports arena



BOVIS NORTH is to build the £50m Victoria Station indoor sports arena. An essential element in Manchester's bid to bring the Olympics to the city in the year 2000, the arena will provide the high standard of facilities needed to stage a wide range of sports activities with seating for 18,000.

Bovis North has started preliminary demolition. Building work will begin in January, with the first of four new platforms due to open in June.

Supplying equipment to power stations

NEI INTERNATIONAL COMBUSTION has won orders for power station combustion equipment worth £25m in the UK and US.

In Britain, the company has won an order worth £18m to provide the waste heat recovery steam generators for National Power at the company's gas-fired combined cycle power station at Deeside.

In the US, the group has signed a further contract for the supply of combustion equipment to Georgia Power. The contract is part of a four unit order worth more than £7m.

The Deeside commission was placed by NEI ABB Gas Turbines, which won the order to construct the 500MW plant last year.

Business centre development in Kent

The CAPITA GROUP has won a five-year contract worth £15m from Kent County Council, which will involve the operation of the Council's central mainframes and corporate data network and will significantly reduce Kent's spread on its central IT (information technology) services.

As part of the contract Capita will establish a new multi-purpose business centre at the Kings Hill business park at West Malling near Maidstone, from where a wide range of managed services will be provided.

In addition to the 50 central IT personnel from Kent being offered the opportunity to transfer to the Capita payroll, over 150 jobs will be created at the centre. The business centre will occupy some 25,000 sq ft and house a wide range of hardware, software and computer-based services to meet the needs of other interested customers.

£7m orders won by Willmott Dixon

WILLMOTT DIXON SYMES' order book has been given a boost with awards of £7m worth of building work in London.

In Covent Garden Willmott Dixon Symes is working on the refurbishment of two adjoining Victorian buildings at the junction of Maiden Lane and Southampton Street.

The £1.2m contract, for National Provident Institution, involves knocking the two buildings into one, carrying out a total internal refit and considerable structural work on the exterior of the buildings to restore their period brick facades.

A similar contract, worth £867,000, is under way in Hammersmith, where a Georgian building is being converted into a Deals restaurant as part of the Bredero Centre West development.

Treating water in Kuwait

The BRISTOL BABCOCK process control group, part of FKI, has won a £35m contract from Kuwait's Ministry of Electricity and Water to repair a desalination treatment plant in Kuwait City damaged in the Gulf War.

FKI has now won total contracts worth more than £45m from the electricity and water ministry.

Work on the contract to repair the Shuwaikh desalination treatment plant in Kuwait City will take about 13 months to complete.

Korean brewery

APV has been awarded a major brewery project worth about £15m in Korea for Jinro Coors Brewing Company, a joint venture company established between Coors Brewing Company of the US and Jinro of Korea.

As part of a major greenfield brewery project, APV will be providing project management, engineering, installation services and equipment supply for the complete beer processing facilities.

Services are being provided from APV project management and engineering teams in Denmark, Germany and the US and equipment will be supplied from APV factories worldwide. The project completion is scheduled for early 1994.

Mr Richard Fenny, executive director and chief executive of APV's liquid food division said: "The Jinro Coors award is a landmark project for APV. This is a major facility in a part of the world where we anticipate further growth. Our award is a strong signal to the brewing industry worldwide of our capabilities and our commitment to this sector."

Remote monitoring

A detailed design contract for remote monitoring of a production platform in the North Sea has been won by KVAERNER ENGINEERING, part of Norway's Kvaerner group. Placed by Ekofisk operator Phillips Petroleum, the NKr5m contract (£470,000) relates to the 2/4 Delta platform - also known as West Ekofisk.

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Provisional Price for Trading on 18.12.92: Pool purchase price £/MWh	Final Prices for Trading on 17.11.92: Pool purchase price £/MWh	Final Prices for Trading on 17.11.92: Pool selling price £/MWh
0030	17.86	18.58	18.58
0100	22.90	24.50	26.03
0130	29.72	24.50	26.02
0200	29.72	24.50	25.96
0230	23.11	23.00	24.39
0300	20.46	23.00	24.40
0330	20.46	23.00	24.41
0400	17.72	18.11	18.11
0430	17.69	17.72	17.72
0500	17.69	17.82	17.82
0530	17.71	18.28	18.28
0600	17.71	18.52	18.52
0630	18.54	18.64	18.64
0700	21.86	23.28	24.72
0730	23.26	23.28	24.71
0800	23.65	23.39	24.82
0830	23.65	23.73	25.16
0900	24.50	23.74	25.16
0930	30.11	23.74	25.15
1000	30.11	32.26	33.95
1030	30.11	32.26	33.96
1100	23.65	33.43	35.18
1130	23.65	33.44	35.16
1200	23.65	33.44	35.17
1230	23.65	33.44	35.20
1300	23.65	23.74	25.15
1330	23.65	23.74	25.14
1400	20.46	23.74	25.14
1430	20.46	21.15	21.15
1500	20.46	21.15	21.15
1530	20.65	23.74	25.15
1600	23.68	28.42	30.18
1630	29.56	39.04	43.93
1700	30.44	57.39	65.11
1730	30.51	59.35	66.57
1800	29.78	49.12	54.65
1830	27.68	33.91	36.16
1900	26.08	28.36	29.89
1930	26.08	27.98	29.45
2000	24.40	25.60	27.01
2030	23.26	23.73	25.11
2100	23.26	23.37	24.73
2130	22.85	23.31	24.67
2200	22.74	23.31	24.68
2230	22.43	23.28	24.65
2300	20.03	20.67	20.67
2330	17.69	18.60	18.60
2400	17.69	18.22	18.22

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £18.58/MWh becomes 1.858p/KWh. Provision for the determination of pool prices is made in the *Pooling and Settlement Agreements* which govern the operation of the electricity pool in England and Wales. *The Pool Purchase Price* is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and/or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also capable of revision. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Further information on pool prices is provided on behalf of the Pool by NGC Settlements Limited. Anyone wishing to receive such information should telephone 0602-456789 between 9.30am and 5.15pm Monday to Friday.

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Oil price rallies after dipping to $17.85 a barrel

By Deborah Hargreaves

VOLATILE OIL prices edged higher in late trading yesterday after opening the day on a weak note as the market struggled to find a new direction.

North Sea Brent crude for February delivery touched $17.85 a barrel in thin morning trading. But later in the day, a stronger New York market pushed London prices higher to $18.05 a barrel – 15 cents lower than Friday's close.

"The market is still in the mood to be bearish, but it has stopped reinterpreting everything as bad news," said Mr Joe Stanislaw, industry consultant at Cambridge Energy Research Associates.

Traders are still looking for evidence in the market that members of the Organisation of Petroleum Exporting Countries are restraining their production of oil. Iran yesterday stressed that it had cut 300,000 barrels a day from its output.

Iran has been shaken by the recent drop in oil prices which have fallen by $3 a barrel since October, and yesterday issued a statement reiterating its offer to cut below its latest production allocation. The statement, issued to Reuters news agency, called on Opec members to consider further ways of strengthening the market.

However, some market observers believe prices have gone down too far: "The market has oversold and overreacted," said Mr Ken Miller, at Purvin and Gertz, the oil analysis group, in Houston, Texas. Mr Miller believes the market is fairly well balanced without a great overhang of stocks. He expects demand for Opec oil to reach 24.7m b/d in the first quarter (excluding Ecuador) – roughly in line with Opec's new production ceiling of 24.58m b/d.

The weak market for oil products in the US could improve over the next month as some refineries cut their production runs in response to slim profit margins. Mr Miller expects this to bring some strength back to the crude market early next year.

Farm ministers resist plan to drop currency cushion

By David Gardner in Brussels

EUROPEAN COMMUNITY agriculture ministers yesterday resisted European Commission plans to do away with the community's mechanism for cushioning farmers against currency fluctuations.

The clear majority against abolishing the so-called "switchover" system was an early augury of what is likely to be a long list of demands from the farm sector to ameliorate the effects of the reform of the common agricultural policy and as compensation for last month's EC-US deal on subsidised food exports within the Uruguay Round world trade talks.

This week's farm council, originally to have been two days, has already formally been extended to three days, and could run to five – and risks being transformed into a bazaar.

The biggest ticket item in the horse-trading is "switchover", which will almost certainly be retained once the system of monetary compensatory amounts is abolished on January 1, when the Single European Market comes into effect.

Commission agriculture officials calculate that the currency turbulence of the past six months alone could cost the farm budget – Ecu35.3bn (£28bn) this year – an extra Ecu1.6bn.

The conclusions of the weekend's Edinburgh summit of EC leaders agreed that "appropriate steps" could be taken to compensate for monetary realignments, but left unclear whether any new money would come from the EC or national budgets. The CAP-linked monetary reserve to compensate currency movements was also retained at Ecu1bn for the next two years, whereas the original plan had been to cut it much faster and beef up contingency reserves to underpin EC external policy.

There is no clear picture of where the bulk of any additional spending would go, but France would almost certainly be a significant beneficiary. France is anxious to get concessions to wave in front of its farmers, who are in near revolt over the Uruguay Round deal. It is also after more money for beef, durum wheat (for pasta) and wine producers.

Italy will again try this week to get retrospectively revalidated about a third of its illicit surplus milk production. And Ireland is looking for concessions for its livestock sector.

Lifeline thrown to Welsh cockle gatherers

By David Owen

THE THREAT of closure hanging over one of Wales's most ancient industries appears to have been removed.

The cockle gatherers of Penclawdd had feared that new EC hygiene directives, due to come into force on January 1, would effectively put them out of business, summarily ending their centuries-old trade.

But the government now seems to have thrown them a lifeline, at least until September. "I understand the local authorities have been advised by the department of health to allow current practices to continue until next gathering season beginning in autumn 1993," according to the ministry of agriculture.

Supporters of the cocklers, like Mr Gareth Wardell, Labour MP for Gower, contend that the government's slowness to react to the consequences of the directives was largely responsible for the industry's problems in the first place.

In parliament earlier this month, Mr Wardell accused Mr David Curry, agriculture minister, of sounding "the death knell" of the industry through his incompetence.

The department of agriculture had delayed for more than a year after the directives had been approved before applying for a process for heat treating molluscs and gastropods to be cleared by the European veterinary committee, Mr Wardell claimed.

As a result, the industry had been unable to arrange for the requisite treatment plant to be installed. Although the process – known as the Torry process – had now been approved, this did not give enough time to act before the directives came into force.

Mr Curry retorted by saying the regulations would be applied "with common sense" and promising: "Nobody will be closed down on 1 January or 2 January".

According to the ministry of agriculture, the application for approval of the Torry process was submitted to the EC "in the permissible time limit".

Switching options

COFFEE AND cocoa options markets at the London Futures and Options Exchange moved yesterday to a single pit between their corresponding futures markets. The aim is to give easier access and improved "visibility" in an effort to increase turnover, reports Reuter.

Peru aims to reverse 20 years of mine neglect

By Sally Bowen in Lima

TODAY MARKS the end of an ignominious chapter in Peruvian mining history. After more than 20 years of neglect, state-owned mining company Mineroperu will relinquish control over the first of a series of rich deposits.

Quellaveco, first under the hammer, is expected to be hotly disputed by two big names in the mining world: Southern Peru Copper Corporation, a subsidiary of Asarco Incorporated, and the South-African giant Anglo-American through its Chilean subsidiary Mantos Blancos. Rio Anglom of Canada is also expected to put in a bid, as is Chile's Pudahuel.

Logic suggests that SPCC is the most likely buyer. The Quellaveco copper deposits lie between the corporation's two huge open-pit copper mines, Cuajone and Toquepala which produce two-thirds of Peru's copper. Developing Quellaveco will almost certainly involve use of SPCC's infrastructure – the railway that ferries concentrates from the mines to the smelter and port of Ilo as well as the water and electricity supply, both operated by SPCC.

"Without using the existing SPCC infrastructure, the investment demanded for Quellaveco would be astronomical," said a senior Peruvian mine manager. "If Southern doesn't get it, then the winning bidder might have to come to some joint venture agreement with them."

Quellaveco is in the province of Moquegua, 930 km (580 miles) south-east of Lima, on western slopes of the Andes and about 3,600 metres (11,800 ft) above sea level. Reserves are estimated at 388.5m tonnes with 0.85 per cent copper at a cut-off grade of 0.45 per cent.

The deposit is characterised by a large percentage of secondary sulphide reserves. Experts say prospects for heap-leaching are "very interesting". While this could mean a smaller outlay than that associated with a traditional concentrator plant, Mineroperu conditions for bidding require the buyer to process a minimum of 10,000 tonnes of ore a day.

The cash minimum fixed by Mineroperu for Quellaveco is a modest $9m, intended to cover the state's investment in studies and surveys over past years. The deposit will go to the bidder who offers the most attractive cash-plus-development package. SPCC executives familiar with the deposit say integral development at Quellaveco would involve investment of between $300m and $350m.

The corporation could find it hard to come up with that sort of money. It has already committed itself to investing $300m in Peru over the next couple of years to construct electrowinning plants at both its mines and on essential environmental improvements at its Ilo smelter.

Despite SPCC's track-record of profitability, the corporation has had difficulty in persuading US banks to come up with financing. It is going ahead with its Peruvian investment programme with an initial $100m from its own resources and a $60m loan recently approved by the Andean Development Corporation.

Early next year Mineroperu will be embarking on the separate sale of its four operational units – the Cerro Verde copper deposits, the copper refinery at Ilo, Cajamarquilla's zinc refinery and the San Antonio de Poto gold deposits.

Technical assessments for all these have now been completed by British-based International Mining Consultants and promotion will be handled by Morgan Grenfell in association with Minproc, a Peruvian-Canadian company.

Zambia prepares for copper privatisation

Philip Gawith on the government's efforts to revive a vital sector of the economy

MR MATHIAS Mpande, Zambia's deputy minister of mines, Mr Ed Shamutete, chief executive of Zambia Consolidated Copper Mines, the state company that runs the copper industry, and Mr Francis Kunda, President of the Mineworkers Union of Zambia, all have one thing in common: in their younger days, they worked together underground at the Nkana mine on the copperbelt.

The symbolism of this unusual unity between labour, managers and state is appropriate, Mr Mpande insists, because they all have similar views about what is best for the industry. Certainly, they are united on one important point of departure: the accession to power of the Chiluba government – in November 1991 – has been the catalyst for a major turnaround in fortunes of the industry.

From a production and financial nadir in 1991-92, when output of 387,000 tonnes yielded profits of only $30.5m, ZCCM looks set to recover in 1992-93, achieving production close to 450,000 tonnes and profits in the region of $200m.

If the wheel is turning on the production side, this is no less true in terms of the control of the industry. One of the main issues facing the Chiluba government is whether, when and how to proceed with the privatisation of ZCCM. The chances are good that these questions will be addressed in 1993, with few betting against Anglo American Corporation, South Africa's largest mining house, re-establishing its dominant position on the copperbelt.

Copper has long been the jewel in Zambia's crown. It earns more than 90 per cent of the country's foreign exchange earnings and has been, historically, a very important contributor to the state's tax revenues. In 1991 the corporation's production placed Zambia fourth among market-economies in terms of mined copper production and sixth as a producer of refined copper. By the end of the 1980s, however, 20 years of nationalised control of the industry had taken its toll and copper had become an increasingly tarnished jewel in a very shabby crown.

When the Chiluba government took over in November 1991, installing new management at ZCCM, the corporation was in serious financial trouble. Debts to overseas suppliers had reached the point where those companies stopped selling to ZCCM.

Production problems – the 1992 annual report is awash with references to "plant breakdowns", "equipment outages" and shortages of spares and supplies – were the direct outcome of financial difficulties. These, in turn, resulted from the government's increasing failure, over a number of years, to invest in the core activity of metals production. From the time of nationalisation in 1970, with the government also taking over management control in 1974, the copper industry was increasingly saddled with extraneous government investments in areas such as tourism, buses, jewellery and dry-cleaning.

These businesses were a drain on resources and management time. To make matters worse Zambia's deteriorating financial position through the 1980s caused disbursements of foreign exchange to ZCCM to become ever more erratic as the government succumbed to pressure to divert resources to other areas of the economy. Mr Shamutete notes that whereas the company should have been reinvesting at the rate of about 25 cents per lb of copper produced, it was only achieving a rate of about 16-18 cents per lb.

Production problems were largely due to lack of finance.

The past year has seen a considerable improvement in the fortunes of ZCCM. Good luck has played a part. The relatively high price of copper, a spike in the cobalt price following unrest in Zaire (the two countries together dominate the world market) and problems at the South African producer Palabora have all been extraneous events from which ZCCM has benefited.

The main reasons for the turnround, however, lie with the new government, which realised that the national interest was best served by a flourishing ZCCM and set about creating a conducive environment. Indeed, Mr Mpande sees his main task as minister being the restoration of ZCCM to profitability through privatisation. Apart from offering critical political support, the government has provided consistent and adequate foreign exchange allocations, which have allowed ZCCM to minimise unnecessary equipment failures. It has also given the corporation the mandate to return to its core businesses – the peripheral activities will, in time, be privatised or closed – and has upheld its commitment not to interfere in the running of the business.

The benefits of these changes are beginning to filter through. With increased production and a trimming of the labour force – the full complement will have been cut by 10,000 to 46,000 by June 1993 – unit costs have improved dramatically. The cost at mine (before debt servicing, tax, depreciation and capital expenditure) in the first seven months of 1992-93 averaged 60.3 US cents a lb, down from 73.5 cents in 1991-92.

Although the corporation is now on a more even keel problems remain to be faced in the future. While Mr Shamutete says the company has the financial means to meet normal investment needs for the next five years the question of what happens after that is a pressing one. Production at the Nchanga Open Pit, the largest producer in the group, will start to tail off in seven to eight years' time. If the corporation is to ensure that its production stays in the 450,000 to 500,000-tonnes-a-year range into the next century a decision on a replacement source of tonnage is urgent – possibly within the next six months.

The source of this tonnage is no secret – the Konkola deep project, in the north of the copperbelt, with reserves of about 355m tonnes and a mill head grade of 3.5 to 3.6 per cent copper. A feasibility study has suggested that within six years the mine, which will cost about $550m, could be producing at full capacity of 6m tonnes of ore a year. Mr Shamutete is confident that a decision to go ahead with the project can be reached soon.

A separate but related issue concerns the privatisation of ZCCM. Although there are misgivings in certain quarters about selling off the family jewels, the balance of opinion clearly favours privatisation. The government knows that failure to privatise ZCCM would shatter its hard-won economic credibility. Prospects for further multilateral and bilateral aid would probably also be damaged. The shape privatisation will take, however, is unresolved, and this is clearly relevant to the development of Konkola.

The World Bank will be undertaking a study of ZCCM during the first quarter of 1993 from which an action plan for privatisation will emerge. The main issue to be resolved is whether the corporation will be sold off as one unit or broken up into smaller operations (there are six operating divisions). Mr Mpande says he favours breaking the company up as this will foster competition from which Zambia should benefit. He also says that he takes it for granted that Anglo American will return to the position where it has management control over a significant portion of the industry.

WORLD COMMODITIES PRICES

MARKET REPORT

London Metal Exchange base metals ended mixed in mostly routine trading. The sharpest movements were a $70-a-tonne rise in cash **NICKEL**, which traders said was capitalising on the presence of downside support, increased physical interest in the US and short covering, and a $13-a-tonne fall in cash **ZINC**, influenced by technical liquidation following Chinese sales. **ALUMINIUM** met overhead resistance above $1,230 a tonne for three months delivery and the price closed at $1,219.50 a tonne, down $9 on the day. **COPPER** prices remained below their early highs, with resistance above $2,220 a tonne for three months metal proving a stiff barrier to upside moves once short covering and Chinese buying was absorbed. At the London Futures and Options Exchange **COCOA** futures continued on their recent downtrend and closed with losses of up to £11 a tonne. "Nobody is really prepared to invest heavily on the short side," one dealer commented. Robusta **COFFEE** prices ended higher but below earlier 13-month peaks

Compiled from Reuters

London Markets

SPOT MARKETS

Crude oil (per barrel FOB)(Jan)		+ or -
Dubai	$15.95-6.00u	-.075
Brent Blend (dated)	$18.00-8.10u	-.175
Brent Blend (Jan)	$18.00-8.05	-.075
W.T.I (1 pm est)	$19.15-9.20u	-.075

Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$188-190	-1
Gas Oil ♦	$177-178	-2.5
Heavy Fuel Oil	$70-72	
Naphtha	$174-176	-2
Petroleum Argus Estimates		

Other		+ or -
Gold (per troy oz)♣	$335.05	+0.05
Silver (per troy oz)♣	372 50c	
Platinum (per troy oz)	$364.65	+0.90
Palladium (per troy oz)	$113.5	+3.0
Copper (US Producer)	103c	
Lead (US Producer)	34.625c	
Tin (Kuala Lumpur market)	14.37r	
Tin (New York)	267.5c	
Zinc (US Prime Western)	62.0c	
Cattle (live weight)†	115.49p	-0.21*
Sheep (live weight)†♣	80.20	+0.45*
Pigs (live weight)†	87.09p	-0.11*
London daily sugar (raw)	$214.2w	+3.7
London daily sugar (white)	247 2w	+0.7
Tate and Lyle export price	£246.0	+1.5
Barley (English feed)	107.0x	
Maize (US No. 3 yellow)	£155.0	
Wheat (US Dark Northern)	Unq	
Rubber (Jan)♥	63.00p	
Rubber (Feb)♥	63.25p	
Rubber (KL RSS No 1 Jan)	227.0m	+0 5
Coconut oil (Philippines)§	$442.5y	+2 5
Palm Oil (Malaysian)§	$385u	+1.0
Copra (Philippines)§	$287.5	-2.5
Soyabeans (US)	£170.5	-1 0
Cotton "A" Index	54.40c	
Wooltops (64s Super)	402p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. y-Jan/Feb u-Feb.x-Aug.w-Dec/Jan. z-Jan/Mar. †Meat Commission average fatstock prices.* change from a week ago ♥London physical. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg.♣Sheep prices are now live weight prices ♦ Gas Oil Price for 3/12/1992 174-175 down 2

SUGAR – London FOX ($ per tonne)

Raw	Close	Previous	High/Low
May	190.00	188 0	188 00

White	Close	Previous	High/Low
Mar	248 00	249 00	249 00 247 50
May	251 20	252 30	251 20
Aug	257.20	254 30	257 20
Oct	244.00		244 00

Turnover: Raw 7 (29) lots of 50 tonnes. White 194 (546) Paris: White (FF) per tonne: Mar 1349.70 May 1387 53

CRUDE OIL – IPE ($/barrel)

	Latest	Previous	High/Low
Jan	18 06	18 10	18.12 17.90
Feb	18 05	18 08	18 15 17 96
Mar	18 05	18 05	18 11 17 90
Apr	18 04	18 05	18 04 17 95
May	17 91	18 02	17 91
Jun	18 08	18 04	18 08 17 90
Jul	17 96	18 07	17 96
Aug	17.97	18 01	17 97
IPE Index	18 38	18 18	18 18

Turnover 34267 (43684)

GAS OIL – IPE ($/tonne)

	Close	Previous	High/Low
Jan	171 50	173 50	172 25 169 75
Feb	172.25	174 25	172 50 171 50
Mar	171 00	172 50	171 00 169 50
Apr	167 75	169 00	168 00 167 00
May	166 50	167 50	166 50 165 50
Jun	166 25	167 00	166 00 165 75
Jul	168 00	169 00	167 50 166 75
Aug	170 00	171 00	169 00 168 00

Turnover 11129 (13630) lots of 100 tonnes

TEA

There were 14,095 packages for sale this day, reports the Tea Brokers' Association. Landed prices for the smaller quantity of Assams on offer were often 15 to 21p dearer particularly for better liquoring sorts. East African teas also met a sustained support and advanced by 5 to 15p with brightest descriptions and good mediums featuring very strongly. Offshore in general demand at 10 to 20p dearer rates. The highest price realised this week was 311p for a burundi pf 1 Quotations: quality 225p good medium 180p, medium 160p low medium 115p

COCOA – London FOX (£/tonne)

	Close	Previous	High/Low
Dec	651	658	653 648
Mar	676	685	681 673
May	693	700	697 690
Jul	708	715	713 708
Sep	721	732	728 721
Dec	745	752	749 745
Mar	766	773	767 765
May	781	789	782
Sep	812	822	811

Turnover: 2272 (2780) lots of 10 tonnes. ICCO indicator prices (SDRs per tonne). Daily price for Dec.14 739 16 (731 46) 10 day average for Dec 11 765.14 (768 61)

COFFEE – London FOX ($/tonne)

	Close	Previous	High/Low
Jan	1016	1012	1019 1010
Mar	1039	1034	1045 1035
May	1015	1009	1021 1013
Jul	1010	1006	1017 1007
Sep	1017	1015	1016 1012
Nov	1027	1025	1023

Turnover 4285 (3268) lots of 5 tonnes. ICO indicator prices (US cents per pound) for Dec 13 Comp. daily 64 40 (64 10) 15 day average 61.14 (60.77)

POTATOES – London FOX (£/tonne)

	Close	Previous	High/Low
Apr	63 0	61.7	62.5 61.6

Turnover 14 (25) lots of 20 tonnes.

SOYAMEAL – London FOX (£/tonne)

	Close	Previous	High/Low
Dec	153 00		153.00

Turnover 25 (0) lots of 20 tonnes

FREIGHT – London FOX ($10/index point)

	Close	Previous	High/Low
Dec	1356	1355	1356 1345
Jan	1280	1295	1290 1280
Feb	1260	1270	1265 1260
Apr	1245	1250	1250 1245
BFI	1360	1359	1360

Turnover 83 (65)

GRAINS – London FOX (£/tonne)

Wheat	Close	Previous	High/Low
Jan	134.50	133 85	134 50
Mar	136.15	136.10	136 40 136 05
May	138 35	138 30	138 35
Jun	139 50		139.50
Sep	107 00	106 65	107 00
Nov	109.25		109 25 108.75
Jan	112 50		112 50

Barley	Close	Previous	High/Low
Jan	130.90		130 90 130 70
Mar	133.30	133 20	133.30
Sep	106 00		106.00
Nov	108 75		108 75
Jan	112.00		112.00

Turnover Wheat 107 (115). Barley 116 (40). Turnover lots of 100 Tonnes

PIGS – London FOX (Cash Settlement) p/kg

	Close	Previous	High/Low
Feb	99 0		98.0

Turnover 2 (28) lots of 3,250 kg

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open interest
Aluminium, 99.7% purity ($ per tonne)					Total daily turnover 43,466 lots	
Cash	1195.5-6.5	1204.5-5.5	1201	1200.5-1.0		
3 months	1219-20	1228-9	1232/1218	1224.5-5.0	1220-2	186,312 lots
Copper, Grade A (£ per tonne)					Total daily turnover 23,379 lots	
Cash	1400.5-1.5	1399-401	1401/1400.5	1400.5-1.0		
3 months	1428-9	1425-6	1429.5/1426	1428-8.5		150,866 lots
Lead (£ per tonne)					Total daily turnover 4,260 lots	
Cash	286.5-7.5	287.5-8.5	288/287.75	287.5-7.75		
3 months	297-7.5	298.5-9.0	300/297	298.75-9.0	297-7.5	26,378 lots
Nickel ($ per tonne)					Total daily turnover 4,449 lots	
Cash	5765-75	5695-705	5730	5725-30		
3 months	5845-5860	5770-80	5880/5730	5805-10	5870-80	41,547 lots
Tin ($ per tonne)					Total daily turnover 1,623 lots	
Cash	5770-80	5777-82	5768	5765-8		
3 months	5830-40	5835-40	5830/5825	5826-30	5830-5	9,782 lots
Zinc, Special High Grade ($ per tonne)					Total daily turnover 18,211 lots	
Cash	1047-8	1050-1	1047	1046-7		
3 months	1068.5-9.5	1079-9.5	1078/1065	1067-8	1065-6	73,744

LME Closing £/$ rate: SPOT: 1.5550 3 months: 1.5520 6 months: 1.5417 9 months: 1.5340

LONDON BULLION MARKET (Prices supplied by N M Rothschild)

Gold (troy oz)	$ price	£ equivalent
Close	334.90-335.20	
Opening	334.80-335.20	
Morning fix	335.30	214.661
Afternoon fix	335.20	214.459
Day's high	335.50-335.80	
Day's low	334.80-335.10	

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month	1.62	6 months	2.09
2 months	1.61	12 months	2.44
3 months	1.61		

Silver fix	p/troy oz	US cts equiv
Spot	238.50	372.75
3 months	242.60	375.95
6 months	246.45	379.35
12 months	253.85	387.10

GOLD COINS

	$ price	£ equivalent
Krugerrand	335.50-338.50	214.00-216.00
Maple leaf	344.55-346.80	-
New Sovereign	78.59-81.50	50.00-52.00

TRADED OPTIONS

Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	Jan	Apr	Jan	Apr
1150	56	77	3	12
1175	36	57	5	21
1200	20	41	13	32
Copper (Grade A)	**Calls**		**Puts**	
2100	105	126	3	8
2150	60	87	6	16
2200	28	55	21	36
Coffee	**Jan**	**Mar**	**Jan**	**Mar**
950	66	102	0	13
1000	20	68	4	29
1050	1	41	35	52
Cocoa	**Mar**	**May**	**Mar**	**May**
650	46	67	19	25
675	31	53	30	36
700	22	41	46	49
Brent Crude	**Jan**	**Feb**	**Jan**	**Feb**
1800		43		35
1850		19		57
1900		6		109

New York

GOLD 100 troy oz.; $/troy oz.

	Close	Previous	High/Low	
Dec	334.6	335.2	335.8	334.7
Jan	335.0	335.6	0	0
Feb	335.4	336.0	336.4	335 4
Apr	336.5	337.1	337.5	336.7
Jun	338.0	338.6	338.0	338.0
Aug	339.6	340.2	0	0
Oct	341.3	341.9	0	0
Dec	343.1	343.7	343.9	343.1
Feb	345.3	345.8	0	0

PLATINUM 50 troy oz; $/troy oz.

	Close	Previous	High/Low	
Jan	366.4	366.9	367.0	366.0
Apr	363.7	365.4	365.5	363.0
Jul	362.9	364.4	364.5	363.5
Oct	364.1	365.6	0	0

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High/Low	
Dec	370.4	370.7	371.0	369.5
Jan	371.0	371.3	373.0	372.0
Feb	372.8	373.1	0	0
Mar	373.7	374.0	374.0	372.5
May	376.4	376.7	376.5	375.5
Jul	379.0	379.3	379.5	378.5
Sep	381.8	382.1	0	0
Dec	386.2	386.5	387.0	386.0
Jan	387.4	387.7	0	0
Mar	391.3	391.6	0	0

HIGH GRADE COPPER 25,000 lbs; cents/lbs

	Close	Previous	High/Low	
Dec	97.90	97.80	98.40	97.75
Jan	98.15	97.90	98.25	98.10
Feb	98.55	98.35	0	0
Mar	98.95	98.70	99.50	98.60
Apr	99.35	99.10	99.60	99.60
May	99.70	99.45	100.15	99.60
Jun	100.05	99.80	0	0
Jul	100.35	100.10	100.70	100.60
Aug	100.65	100.40	0	0
Sep	100.95	100.70	101.35	101.00

CRUDE OIL (Light) 42,000 US galls $/barrel

	Latest	Previous	High/Low	
Jan	19.09	19.09	19.19	18.88
Feb	19.18	19.22	19.30	19.01
Mar	19.28	19.30	19.36	19.11
Apr	19.34	19.37	19.43	19.22
May	19.41	19.41	19.46	19.36
Jun	19.40	19.43	19.47	19.25
Jul	19.37	19.44	19.49	19.27
Aug	19.46	19.45	19.48	19.35
Sep	19.47	19.46	19.47	19.38
Oct	19.47	19.45	19.47	19.37

HEATING OIL 42,000 US galls, cents/US galls

	Latest	Previous	High/Low	
Jan	54.45	54.75	54.85	53.90
Feb	55.25	55.54	55.75	54.85
Mar	55.35	55.43	55.75	54.90
Apr	54.50	54.46	54.70	54.00
May	53.70	53.49	53.80	53.00
Jun	53.50	53.14	53.60	52.80
Jul	53.60	53.49	53.85	53.00
Aug	54.40	53.99	54.40	54.40
Sep	55.40	55.14	55.60	55.40
Oct	56.05	56.09	56.70	56.35

COCOA 10 tonnes;$/tonnes

	Close	Previous	High/Low	
Dec	907	905	0	0
Mar	949	947	955	937
May	976	973	976	965
Jul	999	997	997	986
Sep	1021	1019	1020	1016
Dec	1058	1056	1052	1051
Mar	1091	1089	1090	1085
May	1113	1111	0	0
Jul	1146	1144	0	0
Sep	1168	1166	0	0

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High/Low	
Dec	78.50	78.80	79.25	77.75
Mar	79.05	79.30	79.50	78.05
May	82.45	82.75	83.00	81.60
Jul	84.10	84 40	84.55	83.40
Sep	85.80	85.65	86.10	85.00
Dec	87.55	87.00	88.25	88.25
Mar	89.50	86.60	0	0

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High/Low	
Mar	8.27	8.30	8.29	8.25
May	8.44	8.45	8.45	8.41
Jul	8.53	8.54	8.55	8.51
Oct	8.57	8.56	8.58	8.52
Mar	8.67	8.67	8.65	8.65
May	8.78	8.78	0	0

COTTON 50,000; cents/lbs

	Close	Previous	High/Low	
Mar	58.54	59.05	60.00	58.50
May	59.55	59.95	59.90	59.60
Jul	60.52	61.00	60.85	60.55
Oct	59.64	59.76	60.00	59.65
Dec	59.30	59.50	59.40	59.00
Mar	59.40	60.30	0	0
May	60.20	60.75	0	0

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High/Low	
Jan	93.70	96.20	96.00	93.60
Mar	96.90	99.25	98.95	96.50
May	98.90	100.90	100.25	98.20
Jul	99.15	100.65	100.50	98.50
Sep	98.60	100.90	100.05	98.60
Nov	98.55	100.00	99.50	98.30
Jan	98.30	100.00	0	0
Mar	98.30	100.00	101.00	98.75
May	98.30	100.00	100.00	100.00

INDICES

REUTERS (Base: September 18 1931 = 100)

Dec.14	Dec.11	mnth ago	yr ago
1687.9	1685.9	1682.6	1699.1

DOW JONES (Base: Dec. 31 1974 = 100)

	Dec.11	Dec.10	mnth ago	yr ago
Spot	121.92	121.96	114.82	143.11
Futures	120.98	120.47	116.90	120.27

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low	
Jan	571/4	571/6	575/2	571/2
Mar	575/4	575/6	579/0	575/2
May	580/4	581/0	584/0	580/2
Jul	586/6	587/0	590/2	586/2
Aug	589/0	589/0	592/0	589/0
Sep	589/0	588/4	591/0	589/0
Nov	593/0	594/2	596/6	592/4
Jan	603/0	602/0	604/0	602/0

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High/Low	
Dec	20.83	20.63	20.98	20.70
Jan	20.90	20.72	21.09	20.75
Mar	21.10	20.89	21.28	20.99
May	21.21	21.02	21.36	21.13
Jul	21.30	21.16	21.45	21.22
Aug	21.27	21.15	21.42	21.27
Sep	21.27	21.15	21.40	21.27
Oct	21.25	21.18	21.38	21.25

SOYABEAN MEAL 100 tons; $/ton

	Close	Previous	High/Low	
Dec	188.8	188.1	189.0	188.0
Jan	186.1	185.5	186.4	185.2
Mar	185.1	184.9	185.7	184.9
May	184.9	185.0	185.4	184.6
Jul	185.7	186.2	186.5	185.5
Aug	186.3	187.0	187 2	186.3
Sep	187.3	187.9	188.0	187.3
Oct	188.7	189.5	190.0	188.5

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High/Low	
Dec	212/6	212/0	213/2	212/0
Mar	222/2	222/0	223/0	221/6
May	230/0	229/6	230/4	229/4
Jul	235/6	235/2	236/2	235/2
Sep	239/6	239/4	240/4	239/4
Dec	244/4	244/4	245/0	244/2
Mar	251/2	251/2	251/2	250/6

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Previous	High/Low	
Dec	374/2	372/2	375/4	373/0
Mar	362/2	361/6	364/2	361/4
May	347/2	348/0	349/2	347/2
Jul	322/6	324/0	325/0	322/4
Sep	328/4	329/6	330/0	328/4
Dec	339/0	341/0	340/0	339/0

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High/Low	
Dec	79.300	78.425	79.375	78 600
Feb	76.300	75 700	76.450	75.900
Apr	75.875	75.400	76.000	75.500
Jun	72.425	71.950	72.475	72.100
Aug	70.825	70.475	70.975	70.600
Oct	71.300	70.925	71.400	71 000
Dec	71.500	70.900	71.500	70.900

LIVE HOGS 40,000 lb; cents/lbs

	Close	Previous	High/Low	
Dec	44.725	44.600	44.875	44.300
Feb	44.025	43.600	44.200	43.750
Apr	41.925	41.700	42.100	41.725
Jun	46.325	46 075	46.375	46.000
Jul	45.725	45 650	45.900	45 650
Aug	44.675	44.400	44.750	44.450
Oct	41.200	41.000	41.200	40.900
Dec	42.650	42.850	0	0

PORK BELLIES 40,000 lbs; cents/lb.

	Close	Previous	High/Low	
Feb	38.575	38.125	38.700	37.600
Mar	38.700	38.175	38.750	37.700
May	40.000	39.525	40.100	38.950
Jul	40.825	40.050	40.525	39.600
Aug	38.650	38.350	38.650	38.250

Shares steady as trading volume falls

By Terry Byland, UK Stock Market Editor

THE LONDON stock market settled down for its pre-Christmas run yesterday, when share prices moved within a narrow range in reduced trading volume. The new equity trading account, extended to cover the Christmas holiday break, takes the market up to the year-end, and investors showed little inclination to chase prices any higher in the final weeks of 1992.

The outcome of the European Community summit meeting in Edinburgh last weekend was received favourably but without any great enthusiasm. Some renewed profit-taking selling at the opening of the session was checked by initial firmness in stock index futures, but even this optimistic signal soon faded away.

The FT-SE Index dipped 6.4 to 2,709.8 in early trading but quickly turned higher when the December contract on the Footsie made a firm start in the stock index sector. The index moved up sharply, reaching the day's high of 2,726.1 within half-an-hour. Then the enthusiasm in the futures sector melted away and equities spent the rest of the trading session "quiet but firm".

An early gain of 9 Dow points on Wall Street found only a cautious response in London. The final reading put the FT-SE index at 2,721.8 for a net gain on the day of 5.6 points. Confidence in any further advance in equities this year appeared to be fading yesterday as City institutions turned their attention to portfolio-dressing operations ahead of the year-end. Credit Lyonnais Laing, the London-based securities house, reiterated its view that the Footsie Index will end the year at 2,700, but forecast a 1993 year-end of 3,100.

Seaq-reported trading volume was down to 438.4m shares from Friday's 692.7m; on Friday, retail or customer business volume, at £1.40bn, remained well in the higher range of turnover recorded over the past two months. But the fall in Seaq volume yesterday suggested that genuine investment activity has begun to die away ahead of the market's Christmas break which this year will effectively extend over two weeks.

However, there was some caution expressed yesterday that the stock market could react sharply to this week's list of economic data which opens this morning with the UK producer price statistics.

Last weekend brought hints of impending widespread workforce redundancies across Europe by leading car makers and there were new hints in the City of London yesterday of similar cutbacks in the securities trading industry.

This week will also bring a survey of business opinion from the Confederation of British Industry and the latest data on domestic money supply; neither are expected to bring much comfort for investors, although both will be examined eagerly for indications of the economic recovery on which the stock market is pointing its faith.

With sterling quiet on the foreign exchange markets, the blue chip international stocks lacked a general trend, and movements among the pharmaceuticals to insolpire a handful of irregular price changes.

Retail stocks, now approaching the Christmas selling season which provides the bulk of the year's profits, held firm but buyers were cautious and very selective.

TRADING VOLUME IN MAJOR STOCKS

[illegible]	[illegible]	[illegible]	[illegible]

Based on the trading volume for a selection of Alpha securities dealt through the SEAQ system yesterday until 4.30pm. Trades of one million or more are rounded down.

Account Dealing Dates

*First Dealings:	Nov 30	Dec 14	Jan 4
Option Declarations:	Dec 10	Dec 30	Jan 14
Last Dealings:	Dec 11	Dec 31	Jan 15
Account Day:	Dec 21	Jan 11	Jan 25

*New time dealings may take place from 8.30am two business days earlier.

MARKET REPORTERS:
Peter John, Joel Kibazo, Christopher Price, Steve Thompson.

■ Other market statistics, Page 21

Ladbroke slide continues

THE SLIDE in Ladbroke shares continued as the market heeded the flow of profit downgrades begun on Friday by Smith New Court, joint broker to the leisure group. UBS Phillips & Drew, which two weeks ago upgraded Ladbroke and last week highlighted the stock as one of its "ten key buys" for 1993, yesterday moved the shares to its sell list.

Concern focused on Ladbroke's vulnerability to increased interest charges triggered by currency fluctuations, estimated by some analysts at some £30m in the current trading year.

Mr Paul Heath, leisure analyst at UBS, said: "Having been told that pre-tax profits may be down by as much as 25 per cent, we remain very cautious about the outlook for 1993." He also cut his profits forecast, moving from £215m to £185m inclusive of disposals this year, and said his 1993 forecast may not be much above that figure. However, others in the market, while joining in the general downgrade, were more generous, most settling in the £195m to £210m range. The shares tumbled 11 to 169p in heavy turnover of 11m.

Drug stocks fall

A news report that pharmaceuticals groups could lose up to £450m in UK sales as a result of planned reforms in Britain's National Health Service (NHS) was behind a fall in SmithKline Beecham. There was also some uncertainty following a meeting with analysts by Astra, Swedish rival to SmithKline.

The NHS reforms, which will prompt creation of blacklists of products that will no longer be provided by the NHS on prescription, are expected to affect overseas companies selling in the UK rather than British companies.

However, an instant reaction in SmithKline stock, was compounded by concern that the Astra analysts' meeting might bring good news concerning Losec, the Swedish group's anti-ulcer product. This would mean bad news for SmithKline's Tagamet as well as Glaxo's Zantac, and US investors chose to sell UK pharmaceuticals stocks. SmithKline fell sharply at the start of US trading, closing 12 off at 510p and 10 lower in the Units at 456p. Glaxo eased 2 to 810p.

Owners Abroad

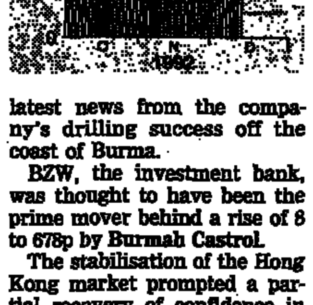
Takeover talk returned to encircle Owners Abroad with rumours that negotiations with German group LTU were continuing. The tour operators market had been alive with such talk earlier this year after Owners Abroad had fallen from 108p in April to 46p in September. Then, speculation had pointed to Airtours, the rival operator, and seemed confirmed when Owners issued a statement confirming that it had received an early approach, generally thought to have been from Airtours. At its results meeting recently, Airtours had refused to comment on whether it would rekindle its interest in Owners.

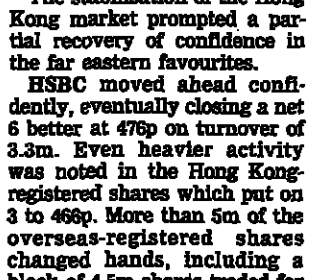
Meanwhile, German holiday group LTU, which bought the Thomas Cook travel chain earlier this year, has been holding informal discussions with several European tour operators. Its talks with Owners have been widely reported in the trade press. The stock exchange authorities confirmed, at the company's request, that Owners was still in a "takeover situation". The shares rose 5 to 83p. Airtours added 3 at 263p.

There was renewed uncertainty among traders in the oil sector as the two majors, BP and Shell, stayed in positive territory, in spite of bad news from two of the top European oil and gas groups, Belgium's Petrofina and French group Total.

BP closed 2 up at 224p on turnover of 6m and Shell held at 548p. Dealers said BP had been sustained by yet another bout of US buying, thought to have been triggered by Friday's presentation by BP executives to US institutions.

Lasmo remained in the firing line, sliding 5 to 140p as the market reacted to growing fears about potential sales from the Morecambe Bay gas field, the current weakness of oil prices and recent heavy selling by two of the UK's most influential fund management groups, both of which have notifiable stakes in Lasmo. Premier Consolidated, meanwhile, edged up ¼ to 18p, with some analysts warming to the latest news from the company's drilling success off the coast of Burma.


FT-A All-Share Index


Equity Shares Traded

BZW, the investment bank, was thought to have been the prime mover behind a rise of 8 to 678p by Burmah Castrol.

The stabilisation of the Hong Kong market prompted a partial recovery of confidence in the far eastern favourites.

HSBC moved ahead confidently, eventually closing a net 6 better at 476p on turnover of 3.3m. Even heavier activity was noted in the Hong Kong-registered shares which put on 3 to 468p. More than 5m of the overseas-registered shares changed hands, including a block of 4.5m shares traded for cash at 460p a share. Standard Chartered rose 7 to 535p.

General Accident, regarded as the composite insurer with the largest exposure to the US, retreated 6 to 543p after sustained selling pressure in the wake of the floods and storms affecting the east coast of the US. Guardian Royal edged up 3 to 173p, shrugging aside the Standard & Poor's warning on Guardian's life business rating.

Willis Corroon added 7 at 185p following news of the recent US buying activity which saw Morgan Guaranty Trust acquire a further 1.5 per cent of the shares, taking the stake up to 27.19 per cent.

Cable & Wireless, weakened in recent sessions by the worries surrounding Hong Kong, staged a determined rally, with small bouts of institutional buying uncovering a stock shortage. The shares closed 20 higher at 667p on low turnover of 2.4m.

The week-long upsurge in Tadpole Technology shares continued at the opening after the stock boosted to over 330p first thing. However, the first serious wave of selling pressure saw the shares plummet to end another day of heavy activity a net 15 off at 179p.

Several of the City's biggest institutions emerged as big buyers of the stock over the past sessions.

The announcement that Fisons has agreed to sell its UK consumer health business to Roche Holding for £90m did little for the shares. The shares ended a net 2 firmer at 212p.

Reuters Holdings were 31p lower at one stage because of a press article critical of Globex, Reuters' automated dealing system. The shares rallied to close 18 off at 1331p.

Marketing services group WPP was steady at 43p ahead of a forecast cut and downgrade by agency broker James Capel. The house has moved the stock to a sell and reduced it 1993 forecast to £13m from £30 because of exceptional costs.

Leisure conglomerate Pearson, owner of the *Financial Times*, lifted 7 to 381p as it was announced that the Prudential had been buying shares and now has a 3 per cent stake.

Rumblings that independent broking house Cazenove had raised forecasts for Dorling Kindersley helped the international publishing group. The stock rose 10 to 255p.

Smiths Industries moved ahead 8 to 349p, with Kleinwort Benson said to have shown a keen interest in the stock. One suggestion was that Smiths might be interested in Vickers's medical division. Vickers firmed 3 to 92p.

Securities house BZW was reported to have reduced its current year profits forecast for TI Group, by £20m to £130m. The shares responded by falling 6 to 278p.

A recommendation from County NatWest helped Glynwed International gain 5 to 233p.

In the other industrials sector, English China Clays fell 11 to 415p in thin trading, with Smith New Court reported to have joined other brokers in downgrading current year profit estimates.

Confirmation of an 11 per cent increase in the dividend to 4.9p at Tiphook, as it reported a well flagged set of interim results showing a 10.2 per cent decline in profits, cheered the market. The shares advanced 10 to 294p.

Last week's stock overhang in P & O and Associated British Ports appeared to have been cleared in both cases. The former added 5 at 459p in trade of 1.2m shares and the latter put on 7 to 330p.

NEW HIGHS AND LOWS FOR 1992

NEW HIGHS (59). [illegible]

NEW LOWS (37). [illegible]

FINANCIAL TIMES EQUITY INDICES

	Dec 14	Dec 11	Dec 10	Dec 9	Dec 8	Year ago	High	Low
Ordinary share	2067.2	2062.8	2064.2	2074.8	2091.2	1855.4	2149.7	1670.0
Ord. div. yield	4.49	4.48	4.48	4.45	4.43	4.99	5.34	4.24
Earning yld % full	6.17	6.16	6.15	6.11	6.08	7.50	-	-
P/E ratio net	20.74	20.78	20.81	20.93	21.04	16.75	21.21	15.79
P/E ratio nil	19.10	19.13	19.16	19.27	19.37	15.86	-	-
Gold Mines	65.5	65.7	66.4	67.6	69.4	152.1	160.6	63.0

*for 1992 Ordinary share index since compilation: high 2149.7 22/5/92 - low 49.4 26/6/40
Gold Mines index since compilation high: 734.7 15/2/83- low 43.5 26/10/71
Basis Ordinary share 1/7/35; Gold Mines 12/9/55.

Ordinary Share hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
2060.9	2069.1	2065.9	2060.1	2063.4	2062.2	2060.6	2061.4	2065.4	2071.7	2059.7

Volume	Dec 14	Dec 11	Dec 10	Dec 9	Dec 8	Year ago
SEAQ Bargains	24,244	29,526	25,579	24,392	24,306	21,064
Equity Turnover(£m)†	-	1408.4	1453.1	1278.4	1156.4	742.4
Equity Bargains†	-	33,962	29,789	28,106	30,982	20,886
Shares traded (ml)†	-	621.8	683.2	609.8	538.2	509.5

† Excluding intra-market business and overseas turnover.

London report and latest Share Index
Tel. 0891 123001. Calls charged at 36p/minute cheap rate, 48p at all other times.

FUTURES AND OPTIONS TRADING

DEALERS in stock index futures reported a dull day with most activity centred on rolling positions forward from the December contract ahead of its expiry next Friday, and into the March contract, writes Joel Kibazo.

In its last week of trading, the December contract on the FT-SE started strongly at 2,736, a big premium to the underlying cash market. But that large premium soon faded as two leading traders turned sellers and December slipped, falling to the day's low of 2,715 at around 10.30am.

Trading then settled in a narrow range of 2,715 and 2,730 for the next four hours until a firm Wall Street led to renewed buying sending the contract forward once again.

Most of the day's activity consisted of dealers rolling forward into the March contract. December finished at 2,731, 4 up on Friday's close and at a 10-point premium to the underlying cash market. Fair value has fallen to zero ahead of the contracts expiry on Friday. Turnover in December reached 8,663 lots, while the March contract saw volume of around 3,800 contracts.

Volume in the traded options was poor, reaching only 16,634 contracts by the close with the FT-SE 100 option accounting for 7,283 contracts of that total. Hillsdown was the most actively dealt stock option. It traded 1,959 lots and was followed by Scottish Power at 800 contracts.

FT-SE Actuaries Share Indices — THE UK SERIES

FT-SE 100 2721.8 +5.6 | FT-SE MID 250 2667.9 +5.9 | FT-A ALL-SHARE 1295.88 +2.75

	Dec 14	Dec 11	Dec 10	Dec 9	Dec 8	Year ago	1992 High	1992 Low	Since compilation High	Since compilation Low
FT-SE 100	2721.8	2716.2	2726.5	2750.7	2769.8	2440.8	2792.0	2281.0	2792.0 1/12/92	986.9 23/7/84
FT-SE Mid 250	2667.9	2662.0	2666.6	2672.5	2682.0	2370.5	2825.0	2157.8	2825.8 20/5/92	1379.4 21/1/86
FT-SE-A 350	1320.8	1318.0	1322.4	1332.4	1340.7	1182.1	1345.5	1103.1	1345.5 1/12/92	664.5 14/1/86

Hourly	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	High/day	Low/day
FT-SE 100	2709.8	2723.5	2720.5	2712.0	2716.5	2716.4	2715.1	2717.2	2721.9	2726.1	2709.8
FT-SE Mid 250	2655.8	2660.7	2660.1	2658.5	2660.9	2661.9	2662.2	2664.1	2665.9	2667.9	2655.7
FT-SE-A 350	1314.9	1320.7	1319.5	1316.0	1318.0	1318.1	1317.6	1318.6	1320.6	1321.7	1314.9

Gross dividend yield (ACT at 25%) FT-SE 100:4.49%

FT-Actuaries All-Share

EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Mon Dec 14 1992 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at 25%)	Est. P/E Ratio (Net)	xd adj. 1992 to date	Fri Dec 11 Index No.	Thu Dec 10 Index No.	Wed Dec 9 Index No.	Year ago (approx) Index No.
1 CAPITAL GOODS (175)	802.85		7.03	5.34	18.53	31.00	802.48	802.53	803.18	743.60
2 Building Materials (23)	798.83	-0.9	6.37	6.76	22.40	40.39	806.05	799.87	791.52	890.32
3 Contracting, Construction (26)	648.03	+0.3	4.24	7.65	64.35	37.49	646.14	646.25	648.72	905.17
4 Electricals (9)	2287.97	-0.5	7.34	6.61	17.81	109.61	2298.64	2237.73	2280.03	2370.18
5 Electronics (28)	2175.68	-0.2	7.06	3.96	17.97	52.39	2179.49	2177.91	2170.97	1678.23
6 Engineering-Aerospace (6)	269.65	+1.0	13.13	8.71	9.69	16.18	266.92	263.98	264.07	326.38
7 Engineering-General (43)	465.43		8.64	5.06	14.77	17.35	465.27	466.63	468.52	457.60
8 Metals and Metal Forming (7)	296.84	+0.5	5.73	4.34	25.45	9.49	295.39	296.17	301.72	304.89
9 Motors (15)	346.94	-0.1	5.86	6.78	24.88	17.77	347.34	348.35	350.11	292.50
10 Other Industrials (18)	1865.04	+0.5	6.69	4.50	18.05	62.07	1856.37	1866.98	1870.81	1489.83
21 CONSUMER GROUP (191)	1701.60	+0.1	6.86	3.44	18.12	43.25	1700.34	1701.42	1719.97	1549.75
22 Brewers and Distillers (25)	1970.84		8.43	3.84	14.35	54.23	1970.03	1963.27	1989.74	1908.62
25 Food Manufacturing (19)	1276.49	+0.2	8.24	4.19	15.16	40.47	1274.50	1277.65	1286.17	1214.49
26 Food Retailing (18)	3151.13	+1.0	8.17	2.98	15.92	70.26	3121.45	3148.66	3149.63	2379.05
27 Health and Household (26)	4333.70	-0.4	5.14	2.62	22.65	88.04	4349.96	4341.70	4404.40	4141.37
29 Hotels and Leisure (18)	1191.66	-0.3	7.01	5.78	18.73	46.03	1195.29	1190.94	1208.67	1206.14
30 Media (25)	1743.07	-0.1	5.71	2.97	21.83	39.40	1745.62	1748.36	1753.09	1328.31
31 Packaging, Paper & Printing (17)	754.29	+0.3	6.92	4.31	17.91	24.33	751.75	752.27	761.49	728.16
34 Stores (33)	1112.68	+0.4	6.57	3.27	20.15	26.56	1108.28	1111.40	1130.17	991.66
35 Textiles (10)	700.60		6.79	4.35	18.58	23.64	700.40	705.82	705.63	588.12
40 OTHER GROUPS (116)	1371.97	+0.2	9.11	5.08	13.62	50.02	1369.17	1381.36	1392.58	1178.70
41 Business Services (17)	1409.74	+1.4	6.29	3.61	19.47	36.28	1389.85	1393.31	1399.66	1346.19
42 Chemicals (22)	1370.94	-0.1	6.66	5.35	18.98	54.80	1372.80	1383.59	1382.74	1367.06
43 Conglomerates (10)	1311.36	-0.4	9.97	9.03	12.43	54.22	1316.44	1335.93	1359.45	1286.39
44 Transport (14)	2614.62	+0.6	8.68	4.55	13.81	88.31	2599.86	2616.84	2633.80	2275.50
45 Electricity (16)	1492.92	+0.3	14.40	5.05	8.93	56.57	1488.25	1512.95	1519.48	1215.77
46 Telephone Networks (4)	1598.35	-0.3	8.34	4.28	15.59	65.69	1602.54	1615.17	1623.99	1382.50
47 Water (11)	3184.12	+0.8	14.30	5.55	7.73	122.00	3157.37	3162.63	3195.02	2276.69
48 Miscellaneous (22)	2397.77	+0.5	5.92	4.23	20.87	61.03	2385.25	2405.23	2448.67	1731.20
49 INDUSTRIAL GROUP (482)	1371.30	+0.1	7.63	4.30	16.40	42.91	1369.76	1374.22	1385.59	1228.86
51 Oil & Gas (18)	2111.28	+0.7	6.32	6.14	20.79	103.27	2096.03	2100.74	2111.13	2204.09
59 500 SHARE INDEX (500)	1441.86	+0.2	7.50	4.49	16.76	47.72	1439.35	1443.89	1455.36	1314.29
61 FINANCIAL GROUP (82)	836.40	+0.4	-	5.25	-	33.33	832.88	836.28	839.50	710.65
62 Banks (9)	1146.87	+0.7	5.36	4.86	27.95	41.81	1138.71	1141.19	1148.78	839.85
65 Insurance (Life) (6)	1694.98	+0.3	-	5.36	-	68.18	1689.73	1725.34	1741.41	1401.12
66 Insurance (Composite) (7)	607.13	-0.1	-	4.96	-	22.58	607.79	611.97	607.67	495.75
67 Insurance (Brokers) (10)	727.79	+1.7	8.54	7.33	15.72	48.05	715.30	706.06	701.38	987.56
68 Merchant Banks (6)	463.62	+0.3	-	4.93	-	16.75	462.22	463.82	470.21	453.76
69 Property (30)	602.03	-0.6	9.02	7.00	14.52	33.09	605.95	603.85	602.82	816.67
70 Other Financial (14)	274.01	+0.1	7.32	6.12	17.99	11.63	273.81	273.54	272.85	230.25
71 Investment Trusts (69)	1264.48	+0.4	-	3.43	-	32.11	1259.67	1264.67	1267.39	1145.60
99 ALL-SHARE INDEX (651)	1295.88	+0.2	-	4.56	-	43.73	1293.13	1297.40	1306.79	1170.11

FT-SE Actuaries 350 Industry Baskets

Hourly	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	Close	Previous close	change
Constrcn	1283.1	1283.5	1284.2	1282.0	1287.1	1286.8	1285.7	1286.9	1286.3	1286.8	1277.3	+9.5
Health & H	1315.3	1319.8	1317.5	1314.6	1319.8	1318.0	1317.7	1316.0	1316.0	1311.5	1316.2	-4.7
Water	1295.4	1302.3	1303.6	1306.0	1308.8	1308.8	1308.8	1311.5	1313.4	1316.5	1305.1	+11.4
Banks	1383.0	1394.2	1396.7	1388.4	1390.9	1390.7	1390.3	1390.0	1393.1	1393.5	1383.3	+10.2

Additional information on the FT-SE Actuaries Share Indices is published in Saturday issues. Lists of constituents are available from The Financial Times Limited, One Southwark Bridge, London SE1 9HL. The FT-SE Actuaries Share Indices Service, which covers a range of electronic and paper-based products relating to these indices, is available from FINSTAT at the same address. The FT-SE 100, the FT-SE Mid 250 and the FT-SE Actuaries 350 indices are compiled by the London Stock Exchange and the FT-Actuaries All-Share Index is compiled by The Financial Times Limited, both in conjunction with the Institute of Actuaries and the Faculty of Actuaries under a standard set of ground rules. "FT-SE" and "Footsie" are joint trade marks and service marks of the London Stock Exchange and The Financial Times Limited.
CONSTITUENT CHANGES: ADDITION: National Express (44); DELETION: TV-am (30).

LONDON SHARE SERVICE

BRITISH FUNDS

[illegible]	[illegible]	[illegible]	[illegible]

BRITISH FUNDS - Cont.

[illegible]	[illegible]	[illegible]	[illegible]

OTHER FIXED INTEREST

[illegible]	[illegible]	[illegible]	[illegible]

Continued on next page

AMERICANS

	Notes	Price £	+ or –	1992 high	low	Mkt Cap£m	Yld Gr's
Abbott Labs		19½xd	–⅛	21	14⅝	16,817	1.9
Allegheny & W.		435p	——	454p	235p	225.0	4.4
Amdahl		479p	+17	1159p	438p	537.9	1.3
Amer Cyanamid		37¼	–½	38½	26⅝	3,361	2.8
Amer Express		15½xd	[illegible]	15¾	10⅞	7,369	4.1
Amer T & T		31¼xd	[illegible]	31½	20⅛	41,362	2.7
Ameritech		44¼	——	45⅛	32½	19,374	5.0
BankAmerica		30¾xd	[illegible]	30⅞	19⅞	10,298	2.7
Bankers NY		41⅞xd	[illegible]	44	28⅝	3,365	4.2
Bell Atlantic		31¾	+1⅛	31¾	23⅛	13,707	5.2
BellSouth		32¼	——	34⅛	25	15,766	5.5
Bethlehem Steel		9½xd	——	10⅛	5¾	858.4	–
Bowater		1582pxd	–8	1611p	905p	573.3	4.8
CPC	h	39¼xd	–⅛	33	22⅝	4,581	2.5
Cadiz Land Inc		115p	——	342p	105p	–	–
California Engy		1050p	——	1050p	581p	191.2	–
Chase Manhattan		17¼xd	[illegible]	18⅛	9½	2,575	4.4
Chrysler		20⅞xd	[illegible]	21⅛	8¼	5,984	1.8
Citicorp		11⅞xd	[illegible]	12⅞	5¾	4,341	–
Colgate-Palm		36¼xd	[illegible]	43⅛	25⅛	5,058	2.1
Cont'l Bank		1255p	+3	1321p	489p	1,268	3.0
Dana		28⅞xd	[illegible]	29⅞	14⅝	1,303	3.5
Data General		735p	–11	1604p	384p	202.8	–
Decora Inds.		148p	——	148p	69p	–	–
Dun & Brad		38⅞	–¼	38⅞	27⅞	6,579	3.9
Eaton		48⅞	–⅜	49¼	32½	1,887	2.8
Echlin		14¼xd	–⅛	14⅜	7⅞	810.7	3.1
FPL		22⅞xd	[illegible]	23¾	17⅞	4,155	6.8
Fluor		27⅛xd	–¼	30⅞	19¼	2,200	1.1
Ford Motor		27¼xd	–⅜	27¾	15	13,385	2.3
Gen Elect		53½xd	–⅜	56	36¼	45,661	3.0
General Host		585p	——	611p	380p	–	3.9
Gillette		38⅞xd	–⅜	40	23⅞	8,432	1.2
Hasbro		20⅞	——	23½	12⅜	1,812	0.8
Honeywell		43⅞xd	[illegible]	44⅝	32	2,996	2.8
Houston Inds		28⅞	–⅛	29½	22	3,739	6.5
IBM		30⅞	–⅛	54½	39½	22,757	7.8
Ingersoll-Rand		19⅝xd	+⅜	21	12⅞	2,050	2.2
Lockheed		35	–¼	35⅞	22¾	2,147	3.8
Lowe's	h	1454p	+17	1485p	815½p	1,069	1.2
[illegible]							

BUILDING MATERIALS - Cont.

	Notes	Price	+ or –	1992 high	low
Tarmac		100	–5	161	51
Tilon		145	——	179	85
Travis Perkins		148	–2	228	105
Tudor		28	——	38	28
Unigroup		11	——	24	6½
Waterhouse		39	——	43	23
Wickes		71½	——	*104	53
Wolseley		510xd	+3½	516	287
[illegible]					

BUSINESS SERVICES

	Notes	Price	+ or –	1992 high	low
ADT S		476	–15	533	343
Adam & Harvey		195	——	248	193
Air London		53	——	127	53
African Lakes		37	——	63	34
Auto'ted Sec.		139	+12	152	81
BET		85	+1	*208	80
BNB Res		43	——	109	43
BPP		240	+2	*283	208
Barbour Index		230	——	280	178
Boustead		14	——	30½	13
Bridgend		12½	+½	33	11
Brit Data Mangt		171	+1	173	111
Brooks Service		58	——	101	58
CRT		73	——	142	72
Capita		417	+5	422	282
Casket		30	+2	36	19
Chiltern Capital A$		48	+5	270	25½
Christie Group		22	——	39	22
Chubb Security		209xd	–½	233	180
Comac		21	——	43	21
Corp Servs		5¼	——	31	5½
Dart		49	——	*123	48
Davis Service		194	——	216	145
EW Fact		65	——	115	65
Gardner		19	——	57	8
Gardner DC		25	–1	*48	21
[illegible]					

CANADIANS

[illegible]

BANKS

[illegible]

BREWERS & DISTILLERS

[illegible]

BUILDING MATERIALS

[illegible]

CHEMICALS

[illegible]

CONGLOMERATES

[illegible]

CONTRACTING & CONSTRUCTION

[illegible]

ELECTRICALS

[illegible]

ELECTRICITY

[illegible]

ELECTRONICS

[illegible]

ENGINEERING-AEROSPACE

[illegible]

ENGINEERING-GENERAL

[illegible]

ENGINEERING-GENERAL - Cont.

[illegible]

FOOD MANUFACTURING

[illegible]

FOOD RETAILING

[illegible]

HEALTH & HOUSEHOLD

[illegible]

HOTELS & LEISURE

[illegible]

HOTELS & LEISURE - Cont.

[illegible]

INSURANCE BROKERS

[illegible]

INSURANCE COMPOSITE

[illegible]

INSURANCE LIFE

[illegible]

INVESTMENT TRUSTS

[illegible]

INVESTMENT TRUSTS - Cont.

[illegible]

INVESTMENT TRUSTS - Cont.

Net asset values supplied by County NatWest Wood Mackenzie as a guide only. See guide to London Share Service.

MERCHANT BANKS

METALS & METAL FORMING

MISCELLANEOUS

INVESTMENT COMPANIES

Net asset values supplied by County NatWest Wood Mackenzie as a guide only. See guide to London Share Service.

MEDIA

MOTORS

OIL & GAS

OIL & GAS - Cont.

OTHER FINANCIAL

OTHER INDUSTRIALS

PACKAGING, PAPER & PRINTING

PACKAGING, PAPER & PRINTING - Cont.

PROPERTY

STORES

TELEPHONE NETWORKS

TEXTILES

TRANSPORT

WATER

SOUTH AFRICANS

PLANTATIONS

MINES

MINES - Cont.

Pelsart	38	—	13	3	1.37	–
RTZ □	641	+3	658	469	6,429	4.1
Vaaya ✻	1¼	—	3	1	0.67	–

GUIDE TO LONDON SHARE SERVICE

Company classifications are based on those used for the FT-Actuaries Indices and FT-Actuaries World Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid- prices.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Estimated price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation, excluding exceptional profits/losses and unrelieved ACT where applicable. Yields are based on mid-prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current pre-closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

□ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ).
● "Tap Stock"
* Highs and lows marked thus have been adjusted to allow for rights issues for cash
† Interim since increased or resumed
‡ Interim since reduced, passed or deferred
‡‡ Tax-free to non-residents on application
♦ Figures or report awaited
♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
♣ Free annual/interim report available, see details below.
✻ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
†† Not officially UK listed; dealings permitted under Rule 535(2)
§ Price at time of suspension
¶ Indicated dividend yield after pending scrip and/or rights issue.
♦ Merger bid or reorganisation in progress
§ Forecast dividend yield; p/e based on earnings updated by latest interim statement.
♠ Unregulated collective investment scheme.

a Yield based on annualised dividend
b Figures based on prospectus or other official estimates.
c Cents.
f Flat yield.
g Assumed dividend yield after rights issue.
h Assumed dividend yield after scrip issue.
n Rights issue pending
q Earnings based on preliminary figures.
s Dividend yield excludes a special payment.
t Indicated dividend yield, p/e ratio based on latest annual earnings.
u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings
v Not subject to ACT.
z Dividend yield includes a special payment
E Auction basis
F Yield based on prospectus or other official estimates for 1994-95.
G Assumed yield after pending scrip and/or rights issue.
H Yield based on prospectus or other official estimates for 1993.
K Yield based on prospectus or other official estimates for 1992-93
L Estimated annualised yield, p/e based on latest annual earnings.
M Yield based on prospectus or other official estimates for 1993-94.
N Yield based on prospectus or other official estimates for 1992.
P Figures based on prospectus or other official estimates for 1994.
R Forecast annualised yield, p/e based on prospectus or other official estimates.
T Figures assumed.
W Pro forma figures.
Z Dividend yield to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xc ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1200 a year for each security shown, subject to the Editor's discretion

FT Annual Reports Service

You can obtain the current annual/interim report of any company annotated with ♣. Ring +44 81-643 7181 (open 24 hours including weekends) or fax +44 81-770 0644, quoting the code FT8533. Reports will be sent the next working day, subject to availability. Please remember to state the weekly changing code above.

FT Cityline

Real time share prices and other stock market information is available through the FT Cityline International telephone service. Annual subscription £250.00 stg. Call +44 71-925 2128 for more details.

FT MANAGED FUNDS SERVICE

• Current Unit Trust prices are available from FT Cityline. For further details call (071) 925 2128.

AUTHORISED UNIT TRUSTS

AIB Unit Trust Managers Limited (1000)F
51 Belmont Rd, Uxbridge, Middx UB8 1RZ 0895 259783

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
AIB Grofund American	5	149.9	151.5xd	159.5	-1.80	0.00
AIB Grofund Equity	5	195.5	198.4	210.0	+0.78	1.79
AIB Grofund Euro	5	140.8	142.8	150.3	-0.70	0.92
AIB Grofund Exp Balanced	3	97.87	99.50	102.58	....	0.00
AIB Grofund GRL	3	74.71	74.74	77.05	+0.29	5.44
AIB Grofund Japan	5	122.9	124.3xd	130.8	-1.10	0.00

AXA Equity & Law Unit Tst Mngrs (1200)H
Equity & Law Hse, Corporation St, Coventry 0203 553231

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
General Inc	5	387.7	389.8	414.7	+0.5	3.06
General Acc	5	422.2	424.5	451.6	+0.6	3.06
UK Growth Acc	6	283.9	288.2	306.7	+0.9	3.45
UK Growth Inc	6	203.5	206.6	219.8	+0.6	3.45
Higher Inc Acc	6	484.9	493.0	524.5	+0.7	4.92
Higher Inc Inc	6	299.1	304.1	323.6	+0.5	4.92
Gilts/Fxd Int Acc	5½	166.6	166.6	175.9	+0.2	6.83
Gilts/Fxd Int Inc	5½	89.79	89.79	94.84	+0.13	6.83
Nth America	6	245.5	250.6	266.6	-3.8	0.00
Far East	6	225.5	225.5	239.9	-2.2	0.24
Europe	6	194.0	194.0	206.4	-1.3	0.79
Brit Excell	6	58.63	58.63xd	62.38	+0.25	3.52
Brit Fndmtls Acc	6	74.44	74.44	79.20	+0.31	5.63
Brit Fndmtls Inc	6	58.43	58.43	62.16	+0.24	5.63
Global Opps	6	60.70	61.29xd	65.21	-0.64	0.00

Abbey Unit Tst Mngrs (1000)H
80 Holdenhurst Rd, Bournemouth 0345 717373

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Gilts & Fixed Int	6	126.2	126.2xd	133.8	+0.3	7.10
High Inc Equity	6	129.0	131.8	140.2	+0.4	6.06
Worldwide Bond	6	249.7	249.7xd	264.6	-1.6	4.72
American Growth	6	259.0	259.0	277.0	-3.3	.72
Asian Pacific	6	170.2	173.8	184.8	-0.6	1.22
Assets & Earnings	6	197.2	201.4xd	214.2	+0.8	3.05

Britannia Life Unit Managers Ltd (1200)F
190 West George St, Glasgow G2 2PA 041-332 3132

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Balanced Growth	6	83.60	84.74	90.63	+0.22	2.40
Do (Accum)	6	91.28	92.52	98.95	+0.24	2.40
Smaller Cos	6	61.47	61.47xd	65.74	-0.01	2.61
Do (Accum)	6	66.46	66.46	71.08	-0.01	2.61
Higher Yield	6	33.34	33.72	36.06	+0.01	5.57
Do (Accum)	6	45.07	45.58	48.75	+0.02	5.57
American Gth Inc	6	48.64	48.89	52.29	-0.48	0.16
Do (Accum)	6	49.56	49.82	53.28	-0.49	0.16
European Growth	6	86.39	86.74	92.77	-0.51	2.09
Do (Accum)	6	87.19	87.55	93.63	-0.52	2.09
Global Bond Inc	6	26.80	27.04xd	28.68	-0.16	5.11
Do (Accum)	6	32.94	33.22	35.25	-0.20	5.11
Managed P'folio Inc	6	29.53	29.60	31.66	-0.04	0.00
(Do Accum)	6	29.61	29.68	31.74	-0.04	0.00
Pacific Growth Accum	6	75.96	76.75	82.09	-0.74	1.48
Intl Spec Opps Accum	6	70.94	71.76	76.75	+0.64	1.83

Brown Shipley & Co Ltd (1000)F
9-17 Perrymount Rd Haywards Hth 0444 412262

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Mngd P'folio Inc	6	78.62	78.62	83.73	-0.38	2.48
Mngd P'folio Acc	6	147.2	147.2	156.7	-0.80	–
UK General	6	128.7	128.7xd	137.1	+0.50	3.70
Conv & General	6	16.37	16.37xd	17.43	+0.03	8.85
European Inc	6	20.10	20.10	21.68	-0.13	0.52
European Acc	6	20.76	20.76	22.39	-0.14	–
Financial	6	93.96	93.96	100.1	+0.43	4.44
Foundation	6	60.62	62.36	66.41	+0.16	4.23
German	6	35.89	35.89xd	38.50	-0.23	0.10
Growth Inc †(5-1)	5	26.13	26.19xd	27.89	+0.12	3.32
Growth Acc †(5-1)	5	30.43	30.50	32.48	+0.15	–
High Income	6	62.72	62.72	67.74	+0.81	6.94
Income	6	104.3	105.4	113.8	+0.90	5.10
Intl Income	6	81.34	81.34	86.63	+0.21	5.57
Intl Growth §	6	29.64	29.64xd	31.57	-0.23	0.25
Monthly Income	6	57.24	59.31	63.17	+0.22	5.53
North American	6	95.70	95.70	101.9	-1.10	0.21
Orient §	6	89.49	89.49	96.26	-1.10	–
Recovery	6	27.03	27.03xd	29.19	+0.17	4.05
Smaller Cos Acc	6	195.5	195.5	209.2	+0.10	–
Smaller Cos Inc	6	114.5	114.5	122.5	–	1.88

Brycourt Unit Tst Mgmt Ltd (1400)F
Hesketh Hse, Portman Sq, W1H 0JR 071-935 6382

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Income Growth	1	181.5	181.5	186.6	..	6.69

Guide to pricing of Authorised Unit Trusts
Compiled with the assistance of Lautro

FT MANAGED FUNDS SERVICE • Current Unit Trust ... call (071) 925 2128.

Sharp (Albert E.) & Co (1000)F

Shepherds Unit Trust Mngmt Ltd (1200)F

Singer & Friedlander UT Mgmt Ltd (1000)F

Smith & Williamson Unit Tst Mgrs (1600)F

Societe Generale Touche Remnant (1600)F

Sovereign Unit Tst Mngrs Ltd (1000)F

Standard Life Tst Mngmt Ltd (0730)H

State Street Unit Trust Mngmt Ltd (1400)F

Stewart Ivory Unit Tst Mgrs Ltd (1200)H

Sun Alliance Unit Tst Mngmt Ltd (1200)F

Sun Life of Canada Unit Mgrs Ltd (1800)H

Sun Life Trust Mngmt Ltd (1200)H

Swiss Life Unit Tst Man Co Ltd (1200)F

TSB Unit Trusts (1200)H

Whittingdale Unit Tst Mgmt Ltd (0830)F

Woolwich Unit Trust Managers Ltd (1700)H

OTHER UK UNIT TRUSTS

Baillie Gifford & Co Ltd

Barings Investment Mngmt Ltd

James Capel Fund Managers Ltd

Cent. Bd. of Fin. of Church of England

Charities Official Inv Fd

Fidelity Investment Services Ltd

Fledgeling Charity Portfolio

Robert Fleming Asset Mngmt Ltd

Foreign & Colonial Unit Management Ltd

Henderson Unit Trust Management Ltd

INVESCO MIM Management Ltd

Lazard Investors Ltd

Local Authorities Mutual Invest. Tst.

M & G Securities Ltd

Morgan Grenfell Investment Funds Ltd

Morgan Stanley International

Murray Johnstone UT Mngmt

Phillips & Drew Fund Management Ltd

Rothschild Asset Management Ltd

Stewart Ivory & Co Ltd

Thornton Unit Managers Ltd

INSURANCES

AXA Equity & Law Life Assce

Abbey Life Assurance Co Ltd

Acorn Life Assurance Ltd

AEGON Life Assurance Co (UK) Ltd

Albany Life Assurance Co Ltd

Allied Dunbar Assurance Plc

American Life Insurance Co UK

Barclays Life Assur. Co Ltd

Black Horse Life Assurance

Britannia Life Assurance

Canada Life Group

Cannon Assurance Ltd

Century Life Plc

Citibank Life

City of Westminster Assurance Co

Clerical Medical/Fidelity Investments

Clerical Medical Investment Group

Colonial Mutual Group

Combined Life Assurance Co

Commercial Union Group

Consolidated Life Assurance Co Ltd

Cornhill Insurance PLC

Crown Financial Management Ltd

Eagle Star Life Assurance Co Ltd

Eagle Star Insur./Midland Assur.

Equitable Life Assurance Society

Eurolife Assurance Company Ltd

Family Assurance Society

Friends Provident

GT Unit Managers Ltd

General Accident (z)

General Portfolio Life Insur Plc

Assicurazioni GENERALI SpA

Growth & Sec. Life Assce. Soc. Ltd

Guardian Royal Exchange

Hearts of Oak Insurance Group

Henderson Administration(z)

Hill Samuel Life Assur. Ltd

Homeowners Friendly Society

Ideal Insurance Co Ltd

Interlife Assurance Co Ltd

Irish Life Assurance Co Plc

Lancashire & Yorkshire Assce Society

Laurentian Life plc

Legal & General

Liberty Life Assurance Co Ltd

Life Association of Scotland

Lifetime Assurance Co Ltd

London Indemnity & Gnl. Ins. Co Ltd

London Life

London & Manchester Assurance (z)

M & G Life and M & G Pensions

MGM Assurance (z)

Manchester Unity Assurance

Manulife Group

Merchant Investors Assurance Co Ltd

Mercury Life Assurance Co Ltd

Midland Life Limited

NM Life Assurance Ltd

N & P Life Assurance Ltd

National Mutual Life

National Provident Institution

Norwich Union Asset Management Ltd

Norwich Union Life Insurance Soc.

Norwich Union Pensions Management Ltd

Pearl Assurance (Unit Funds) Ltd

Premium Life Assurance Co Ltd

Professional Life Assurance Co Ltd (z)

Continued on next page

FT MANAGED FUNDS SERVICE

• Current Unit Trust prices are available from FT Cityline. For further details call (071) 925 2128.

Prolific Life & Pensions Ltd

Stramongate, Kendal, Cumbria LA9 4UB 0539 733733
Managed Fund see Balanced Growth Managed Fund

	Bid Price	Offer Price	+ or -	Yield Gross
Life Funds				
Balanced Grwth Mngd	616.1	655.5	-2.8	-
Achievement Mngd	147.7	157.2	-0.9	-
Cautious Mngd	119.9	127.6	+0.1	-
Cash Fd	314.8	331.8		-
Property Fund	218.0	232.0		-
Equity Fund	705.1	750.2	-3.8	-
Fxd Int. Fund	394.2	415.4	+2.5	-
International	314.5	334.6	-2.1	-
High Income	543.8	578.6	-0.3	-
Far East	410.9	437.2	-4.5	-
North American	420.0	446.9	-6.0	-
Special Sits	496.3	528.0	+4.4	-
Technology	419.1	445.9	-4.2	-
Extra Inc Fd.	298.5	317.6	+1.7	-
Convertible & Gilt Fd.	144.1	153.3	+0.6	-
American Income	167.6	178.3	-1.6	-
Gilt Fund 20	434.1	461.9	+1.2	-
European Fund	112.1	119.3	-0.9	-
Pref & Fixed Int	108.7	115.7		-
UK Blue Chip	112.9	119.0	+0.7	-
Recovery Fund	103.9	109.5	+0.4	-
Equity Income Dist	100.6	107.1	+0.1	5.01
Managed Dist	95.6	101.8	-0.1	5.34
High Yield Dist	100.0	105.4	..	7.49
Pension Funds				
Balncd Grwth Mngd Pens Acc	718.3	756.2	+0.2	-
Achievement Mngd Pens Acc	153.9	162.0	-1.0	-
Cautious Mngd Pens Acc	137.8	145.1		-
Building Soc. Acc	362.4	381.5		-
Property Pens Acc	296.4	312.0		-
Fix Int. Pens Acc	622.0	654.8	+2.0	-
Equity Pens Acc	902.5	950.0	-5.0	-
International Pens Acc	289.3	304.6	-2.3	-
High Inc Pens Acc.	612.1	644.4	+2.5	-
Tech Pens Acc	296.7	312.4	-3.6	-
N American Pens Acc	316.1	332.8	-4.8	-
Far Eastern Pens Acc.	404.6	425.9	-4.1	-
Special Sits Pens Acc	408.7	430.3	+3.0	-
Extra Income Pens Fd	363.6	382.8	+2.2	-
Convertible & Gilt Pen	175.4	184.7	-2.4	-
American Inc Pens	191.8	201.9	+0.3	-
European Pens	124.0	130.6	-0.9	-
Managed Cash Pens	170.7	179.7		-
Pref & Fixed Pens	126.6	133.3	-0.1	-
UK Blue Chip	119.4	125.7	+0.9	-
Recovery Fund	109.5	115.3	+0.5	-
Guaranteed With Profits Pens	107.1	112.8	..	-
Other Funds				
Managed Growth	115.2	121.3	+0.7	-
Managed Income	117.0	123.2	+0.3	-
Mgd Sett Pension	125.9	132.6	+0.8	-
NCH Managed	118.3	124.6		-

Reliance Mutual

Reliance House, Tunbridge Wells, Kent 0892 510033

	Bid Price	Offer Price	+ or -	Yield Gross
Deposit Acc Fd	167.3	176.1	+0.1	-
Equity Acc Fd	382.5	402.7	+1.6	-
Managed Acc Fd	336.3	354.0	..	-
Prop Fd (1st Issue)	-	614.1	..	-
Prop Acc Fd (2nd Iss).	120.3	126.6		-
Unit Trust Mgr Fd	149.9	157.8	.	-
RL Pension Funds				
Deposit Acc.	242.6	255.3	+0.7	-
Equity Acc.	280.4	295.2	+1.5	-
Fixed Int Acc.	242.6	255.4	.	-
Gilt Indx Lnk Acc	181.2	190.8	.	-
Managed Acc.	370.8	390.3	..	-

J Rothschild Assurance PLC

J Rothschild House, Dollar Street, Cirencester
Telephone 0285 640302 Helpline 041 307 6500

	Bid Price	Offer Price	+ or -	Yield Gross
Life Funds				
JRA/M&G Managed	107.8	113.5	-0.20	-
JRA/Schroder Managed	104.3	109.8	+0.10	-
JRA/St James's Place Mngd	110.9	116.8	+0.20	-
Deposit	99.80	105.1	+0.10	-
Far East	108.0	113.7	+0.20	-
Gilts	104.7	110.3	+0.40	-
Greater European	106.4	112.1	-0.10	-
North American	123.5	130.0	-0.80	-
UK Equity	108.0	113.7	+0.10	-
Pension Funds				
JRA/M&G Managed cap	105.1	110.7	-0.30	-
JRA/M&G Managed acc	108.3	114.1	-0.40	-
JRA/Schroder Managed cap	100.9	106.3	..	-
JRA/Schroder Managed acc	104.2	109.7	+0.10	-
JRA/St James's Pl Mngd cap	112.5	118.5	+0.20	-
JRA/St James's Pl Mngd acc	116.0	122.2	+0.20	-
Deposit cap	99.80	105.1	+0.10	-
Deposit acc	102.9	108.4	+0.10	-
Far East cap	103.5	109.0	+0.20	-
Far East acc	106.7	112.4	+0.20	-
Gilts cap	102.6	108.1	+0.40	-
Gilts acc	105.9	111.5	+0.40	-
Greater European cap	106.0	111.6	....	-
Greater European acc	109.3	115.1	....	-
North American cap	127.3	134.1	-1.30	-
North American acc.	131.3	138.3	-1.30	-
UK Equity cap	104.5	110.1	-0.10	-
UK Equity acc	107.9	113.6	....	-

Royal Heritage Life Assurance Ltd

Scottish Mutual Assurance plc

109 St Vincent St, Glasgow

Scottish Provident Institution

6 St Andrews Sq, Edinburgh

Scottish Widows' Group

Prosperity Life Assurance Ltd

Providence Capital Life Assc. Co Ltd

Provident Life Assoc Ltd

Provident Mutual Life Asso. Assn.

Prudential Assurance Co

Prudential Corporate Pension Funds

Prudential Individual Life Funds

Prudential Individual Pension Funds

Royal Life Insurance Ltd

Royal Insurance Ltd

Save & Prosper Group

Scottish Amicable

Scottish Equitable Life Assce. Soc.

Scottish Life Investments

Shield Assurance Ltd

Skandia Life Assurance Co Ltd

Standard Life Assurance Company

Sun Alliance Group

Sun Alliance Group - Contd.

Sun Life Unit Assurance Ltd

Swiss Life (UK) PLC

Swiss Pioneer Life Plc

TSB Life Ltd

Target Life Assurance Co Ltd

Teachers' Assurance Company Ltd

Templeton Life Assurance Limited

Tunbridge Wells Equitable

Wesleyan Assurance Society

Windsor Life Assur Co Ltd

Woolwich Life Assurance Co Ltd

Zurich Life Assurance Co Ltd

OFFSHORE INSURANCES

AXA Equity & Law Intl Life Assce Co

AEtna Intl Assurance (Bermuda) Ltd

Albany International Assurance Ltd

CMI Insurance Co Ltd

Eagle Star Intl Life

Equitable Life (International)

Eurolife Assurance Group

Finexco International Ltd

Hansard International Ltd

Hambro Prolific International

Isle of Man Assurance Ltd

NEL Britannia International Ltd

PanEuroLife

Providence Capital International Ltd

Royal Life Intl. Ltd

Royal Skandia Life Assurance Ltd

Sun Alliance International Life

Target International Group

MANAGEMENT SERVICES

C F S Financial Mngmt

Capital Trust Financial Management

Chase de Vere PLC

Fairmount Financial Services Ltd

Foster & Braithwaite Ltd

Hurstminster Financial Services (Pty) Ltd

Independent Financial Group PLC

Johnson Fry Asset Managers Plc

Knight Williams & Company Ltd

Macartney & Dowie Invest Mgt Plc

Northern Mngrs & Partners

Pendleton May Financial Services Ltd

Roxborough Financial Management Ltd

Charles Stanley & Co Ltd

Tattersall Investment Mngt. Ltd

J. D. Ward Financial Services Ltd

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

Fidelity Money Funds

Lloyd George Management

Newport Investment Management

Orion Fund Limited

CANADA (SIB RECOGNISED)

GBC Asset Management

GUERNSEY (SIB RECOGNISED)

AIB Grofund Inv Managers (Guernsey) Ltd

Barclays Fd Mgrs (Guernsey) Ltd

Baring Intl Fd Managers (Guernsey) Ltd

Equitable International Fund Managers Ltd

Guinness Flight Fd Mngrs (Guernsey) Ltd

Hambros Fd Mgrs (CI) Ltd

Kleinwort Benson Intl Fd Mgrs Ltd

Lazard Fd Mngrs (Channel Islands) Ltd

Lion World Fixed Income Fund

Lloyds Intl Money Market Fund Ltd

M & G (Guernsey) Ltd

Midland Fund Managers (Guernsey) Ltd

Rothschild Asset Management (CI) Ltd

Royal Bank of Canada Offshore Fd Mgrs Ltd

Schroder Investment Mngmt (Guernsey) Ltd

GUERNSEY (REGULATED)

ANZ Mngmt Co (Guernsey) Ltd

Arab Bank Fund Managers (Guernsey) Ltd

Credit Suisse Asset Mngmt (Guernsey) Ltd

Merrill Lynch Guernsey

Nikko Capital Mngt (Europe) Ltd

Quilter International Management Ltd

Rothschild Asset Mngmt (CI) Ltd

Samil International (Guernsey) Ltd

Schroder Investment Mngmt (Guernsey) Ltd

U.S. Treasury Securities Fund Ltd

Wardley Capital Management Ltd

IRELAND (SIB RECOGNISED)

GAM Fund Management Ltd

GT Asset Management (Ireland) Ltd

Hambro Prolific International Mngmt Ltd

Morgan Grenfell Investment Funds Ltd

Swiss Life Investment Fund (a)

IRELAND (REGULATED)

Bank of Ireland Unit Managers Ltd

Allied Irish Fund Mngmt (Ireland) Ltd

Lombard International Fd Mngrs (Ireland) Ltd

GT Asset Mngmt (Ireland) Ltd

Gartmore Portfolio Managers Limited

Lazard Fund Managers (Ireland) Ltd

ISLE OF MAN (SIB RECOGNISED)

AXA Equity & Law Intl Fund Mngrs

Allied Dunbar Intl Fund Mngrs

CMI Fund Managers (IoM)

Gartmore Fund Managers (IoM) Ltd

Mercury Fund Managers (IoM) Ltd

Sun Life Management (IoM) Ltd

ISLE OF MAN (REGULATED)

ATC Fund Management (IoM) Ltd

AXA Equity & Law Intl Fund Mngrs

City Financial Admin (IoM) Ltd

Gartmore Fund Mgrs (IoM) Ltd

John Govett Managers (IoM) Ltd

هكذا من الأصل

FT MANAGED FUNDS SERVICE

• Current Unit Trust prices ... 071) 925 2128.

	Bid Price	Offer Price	+ or -	Yield Gross
TBI Global Funds Limited				
Intl Stlg Grth	£19.92	20 98	.....	-
Intl $US Grth	$17 91	18.87	.....	-
High Income Gilt	£25.98	26.83	.....	-
International Equity	£20.13	21.20	.....	-
International Bond	£22.07	22.88	.....	-
Managed Currency	£27 45	27.74	.....	-
Sterling Currency	£26.44	26 72	.....	-
US$ Currency	$37.75	38 14	.....	-
Irish £ Currency	I£15.18	15 34	.....	-
R & H Fund Managers Ltd				
LFM Sterling Fd	£11.04	11.51	.....	-
B.F. Offshore Inc Fd Ltd	£11.39	11.85	.....	-
Target International (Isle of Man) Ltd				
IMG Offshore Fd	£9 05	9.79	.....	-
Nelson Miles W/W Sfs	£9.41	9.71	.....	-

	Bid Price	Offer Price	+ or -	Yield Gross
Lloyds Bank Trust Co (CI) Mngrs				
Lloyds World Inv Port	£2.484	2.609	.....	1.32
Dealing weekly on Thursday				
Management International (Jersey) Ltd				
Anchor Gilt Edge (z)	£9 91	9.95	+0.04	9 44
Minerals, Oils Res. Shrs. Fd. Inc.				
Morns Dec 10	$13.35	13 61	.....	2.94
Nat. Westminster Jersey Fd. Mgrs. Ltd				
Sterling Income(z)	52.8	55.0	-0 03	8 16
UK Equity Fd (z)	214 3	228.0	-0 02	2 81
*Intl Bond Fd	95.0	98.0xd	.....	7.07
*Sterling Mngd Asset Fd	549.9	573.0	.....	5.00
*Sub. day every Thurs.				
NatWest TrustCor Currency Fund (z)				
Dollar Class		$38 1340	+0.0025	-
Sterling Class		£26.9516	+0.0044	-
D-Mark Class		DM83.5506	+0.0186	-
Dutch Guilder Class		Dfl83.0049	+0.0164	-
Japanese Yen Class		Y7960 7598	+0.5707	-
Northgate Unit Tst. Mngr. (Jersey) Ltd				
Pacific Fund Dec 10	$33.15	35 25	.....	-
Perpetual UT Mngrs (Jersey) Ltd				
Offshore Intl Grth Fd	$3 7447	3.9795	.....	-
Offshore Amer Grth Fd	$6.3867	6.7872	.....	-
Offshore Emerging Co	$3 6622	3.8921	.....	-
Offshore European Fd	$1.4983	1.5498	.....	-
Offshore Global Bond	$0 9600	1.0000	.....	-
Offshore Far East Fd	$2.1823	2.3190	.....	-
Offshore UK Growth Fd	$1.8981	2.0172	.....	-
The Portugal Fund Limited				
Lloyds Bank Trust Company (Channel Islands) Ltd				
NAV Dec 4		54.36	.....	-
Royal Bk of Scotland Fd Mngrs (Jersey) Ltd				
Ivory Growth Fund	£14.90	15.12	.....	1.43
LFM Defensive Strtgy	£11.39	11.98	.....	-

JERSEY (SIB RECOGNISED)

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
AIB Fund Managers (CI) Ltd						
PO Box 468 St Helier Jersey 0534 36633						
AIB Currency Funds Ltd						
Intl Managed Bond	5		I£-20.9641	20 9695	.....	-
Managed Capital Bd	5		I£-21.1297	21 1344	.....	-
AIB Gredlend Currency Fund Limited						
Stlg Mngd Currency	5		£-	10 9703	.....	-
Sterling Currency Fd	5		£-	10.5486	.....	-
Ecu Currency	5		Ecu-	10.6723	.....	-
US Dollar Mngd Curr	5		$-	21.5465	.....	-
Barclays International Funds						
PO Box 152, St Helier, Jersey CI 0534 67888						
Australian Eq (Inc)	5¼	$0.870	0 875	0.936	[illegible]	0 9
Global Income (Inc)	5¼	$0.491	0 496xd	0.531	[illegible]	2.8
Global Resources	5¼	$0.397	0 401xd	0 429	[illegible]	8.5
Currency Funds						
Stlg Premium Income		£10.03	10 04xd		+0.02	6.4

JERSEY (REGULATED)(**)

LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED)(**)

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Mild reprieve for French franc

THE FRENCH FRANC yesterday recovered some of the ground that it lost against the D-Mark last Friday, but the currency weakened in the European afternoon amidst rumours that the Bundesbank will not support the franc with the vigour deployed in the autumn, *writes James Blitz.*

In the early stages of European trading yesterday, the D-Mark demonstrated weakness against other currencies. Dealers were impressed by the results of the summit of European leaders in Edinburgh, in particular the agreement on a Community budget and Denmark's decision to hold a second referendum on European Monetary Union in the summer.

The French franc consequently appreciated to a high of FFr3.3970 against the D-Mark in the morning, having closed in Europe on Friday night at FFr3.4180. Sterling also benefited from the news from Edinburgh, peaking in the morning at DM2.4652 after closing on Friday night at DM2.4575.

In the afternoon, however, the franc's strength was sapped by rumours that the Bundesbank had told the French authorities that there would be a limit in future on the amounts they would spend supporting the French currency. That rumour was not confirmed, but the currency closed at FFr3.4110 against the D-Mark.

The net effect of yesterday's moves was to remove some of the stress that had plagued the system last week. The Danish krone closed at DKr3.8525 to the D-Mark, having been as low as DKr3.8950 the previous week. This came despite a 1 percentage point cut in Denmark's Certificate of Deposit interest rates from 15 per cent to 14 per cent yesterday.

Analysts believe that the French franc may only be enjoying a reprieve because of the unwillingness of traders to take open positions in the run-up to the New Year. Mr David Cocker, an economist at Chemical Bank in London, says that the franc is suffering from large-scale hedging by investment funds who are not selling assets, but protecting their equities by restructuring their currency portfolios.

Mr Steve Hannah, head of research at IBJ International, is moving towards thinking that a French franc devaluation may happen. But he still thinks the French and German authorities will avoid it, "fighting a devaluation tooth and nail."

Mr Hannah believes three factors will melt the Bundesbank's icy unwillingness to ease policy.

First, prospects of a German recession are worsening, with the Ifo institute yesterday predicting a fall in German GDP of 0.5 per cent next year. Secondly, German unions seem to be settling for wage rises of 0 per cent in real terms. And, he believes, falling business activity will trigger a fall in M3 money supply next year, with M3 dropping to the lower end of the Bundesbank's new target range.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu Central Rates	Currency Amounts Against Ecu Dec 14	% Change from Central Rate	% Spread vs Weakest Currency	Divergence Indicator
Portuguese Escudo	182.194	175.375	-3.74	5.06	62
Spanish Peseta	143.386	139.882	-2.44	3.66	42
Dutch Guilder	2.21958	2.20498	-0.66	1.79	31
Belgian Franc	40.6304	40.3654	-0.65	1.79	30
D-Mark	1.96992	1.96040	-0.48	1.62	29
Danish Krone	7.51410	7.58205	0.90	0.22	-43
Irish Punt	0.735334	0.742160	0.93	0.19	-43
French Franc	6.60683	6.68109	1.12	0.00	-64

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
(17/9) Sterling and Italian Lira suspended from ERM. Adjustment calculated by Financial Times.

£ IN NEW YORK

Dec.14	Latest	Previous Close
£ Spot	1.5665-1.5675	1.5565-1.5575
1 month	0.56-0.54pm	0.49-0.48pm
3 months	1.36-1.33pm	1.35-1.32pm
12 months	3.80-3.70pm	4.00-3.90pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

[illegible]

CURRENCY RATES

[illegible]

CURRENCY MOVEMENTS

[illegible]

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (Base Average 1985=100).

OTHER CURRENCIES

[illegible]

*Floating rate. Iran Official rate £99.70 $66.20

POUND SPOT - FORWARD AGAINST THE POUND

[illegible]

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

[illegible]

EURO-CURRENCY INTEREST RATES

[illegible]

EXCHANGE CROSS RATES

	£	$	DM	YEN	F Fr.	S Fr.	N Fl.	Lira	C$	B Fr.	Pta	Ecu
£	1	1.565	2.453	193.5	8.368	2.203	2.760	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
$	0.639	1	1.567	123.6	5.347	1.408	1.764	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
DM	0.408	0.638	1	78.88	3.411	0.898	1.125	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
YEN	5.168	8.088	12.68	1000.	43.25	11.39	14.26	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
F Fr.	1.195	1.870	2.931	231.2	10.	2.633	3.298	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
S Fr.	0.454	0.710	1.113	87.83	3.798	1	1.253	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
N Fl.	0.362	0.567	0.889	70.11	3.032	0.798	1	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Lira	0.459	0.718	1.126	88.80	3.840	1.011	1.267	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
C$	0.501	0.784	1.229	96.94	4.192	1.104	1.383	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
B Fr.	1.976	3.093	4.848	382.4	16.54	4.354	5.455	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Pta	0.574	0.899	1.409	111.1	4.806	1.265	1.585	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Ecu	0.798	1.249	1.958	154.4	6.678	1.758	2.203	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100: Peseta per 100.

FINANCIAL FUTURES AND OPTIONS

[illegible]

OPTION ON LONG-TERM FRENCH BOND (MATIF)

Strike	Calls January	Calls March	Calls June	Puts January	Puts March	Puts June
110	-	1.83	-	-	0.68	-
111	0.53	1.19	-	0.33	0.95	1.24
112	0.14	0.72	1.48	0.83	-	-
113	-	0.38	-	-	-	-
114	-	0.21	0.70	-	-	-
Open Int.	20,763	182,040	26,493	10,476	147,842	18,120

Estimated volume 24,473 † Total Open Interest 404,723
† All Yield & Open Interest figures are for the previous day.

BASE LENDING RATES

	%		%		%
Adam & Company	7	Cyprus Popular Bank	7	Mount Banking	7
Allied Trust Bank	7	Duncan Lawrie	7	NatWestminster	7
AIB Bank	7	Equatorial Bank plc	7	Northern Bank Ltd	7
●Henry Ansbacher	7	Exeter Bank Limited	8	Nykredit Mortgage Bnk	7.5
B & C Merchant Bank	13	Financial & Gen Bank	8	●Rea Brothers	7
Bank of Baroda	7	●Robert Fleming & Co	7	Roxburghe Bank Ltd	9
Banco Bilbao Vizcaya	7	Girobank	7	Royal Bk of Scotland	7
Bank of Cyprus	7	●Guinness Mahon	7	●Smith & Williman Secs	7
Bank of Ireland	7	Habib Bank AG Zurich	7	Standard Chartered	7
Bank of India	7	●Hambros Bank	7	TSB	7
Bank of Scotland	7	Hampshire Trust Plc	13.5	Unibank plc	7
Barclays Bank	7	Heritable & Gen Inv Bk.	7	●United Bk of Kuwait	7
Brit Bk of Mid East	7	●Hill Samuel	7	Unity Trust Bank Plc	7
●Brown Shipley	7	C. Hoare & Co	7	Western Trust	7
CL Bank Nederland	7	Hongkong & Shanghai	7	Whiteaway Laidlaw	7
Citibank NA	7	Julian Hodge Bank	7	Yorkshire Bank	7
City Merchants Bank	7	●Leopold Joseph & Sons	7		
Clydesdale Bank	7	Lloyds Bank	7		
Co-operative Bank	7	Meghraj Bank Ltd	7		
Coutts & Co	7	McDonnell Douglas Bk.	7		
Credit Lyonnais	7	Midland Bank	7		

● Members of British Merchant Banking & Securities Houses Association

MONEY MARKETS

French futures fall

CURRENCY futures throughout Europe fell back sharply yesterday as dealers had mixed feelings over the outcome of the European Community's weekend summit in Edinburgh. Some dealers felt that it had failed to ease tension on the foreign exchanges, *writes James Blitz.*

There may have been little reason to believe that EC leaders would come up with a plan to ease European interest rates or tensions in the Exchange Rate Mechanism. However, dealers had got it into their heads that such moves were possible, and were consequently disappointed at the result.

UK clearing bank base lending rate 7 per cent from November 13, 1992

The March French franc contract was worst hit, falling back 40 basis points to a low of 90.68. This assumes that 3 month money will be at 9.32 per cent in the spring, a high level considering that the Bank of France's intervention rate is at 9.10 per cent.

Despite the Edinburgh accords on the EC budget and the Danish referendum, the view of one dealer yesterday was that the French franc "remains firmly in the melting pot." With no cut in the Bundesbank's official interest rates, dealers believe that pressure on the franc will remain intense into the New Year.

Three month French francs were yesterday quoted at between 11¼ per cent and 10⅞ per cent, a very high level considering that France appears on the verge of recession. With 1 year money trading at 9½ per cent, the sloping yield curve suggests that the market believes a cut in official interest rates is inevitable sooner or later.

Euromark futures also fell back yesterday on disappointment over the events in Edinburgh. The March contract fell back 8 basis points to a close of 91.92.

German call money rates were steady at around 8.90-9.00 per cent yesterday and dealers expected them to remain high this week as demand rises in line with December tax payments.

The sterling cash market remained calm. Three month money closed marginally firmer at around 7$\frac{3}{16}$ per cent from 7⅛ per cent previously. This partly reflected the pan-European disappointment on German rates. But there is uncertainty over the shortages that the Bank of England will declare this week. The Bank of England forecast a shortage of £950m yesterday and £10m of late assistance was provided.

FT LONDON INTERBANK FIXING

[illegible]

MONEY RATES

[illegible]

LONDON MONEY RATES

[illegible]

MONEY MARKET FUNDS

Money Market Trust Funds

[illegible]

Money Market Bank Accounts

[illegible]

CROSSWORD

No.8,029 Set by QUARK

ACROSS
1 Tell for example (8)
5 Pawn goes in move? It's about to (6)
9 Uniform colour of service sportsman? (4,4)
10 King, etc. in quiet little play (6)
12 Trevor, jogging around river, to strive too much? (9)
13 Stalk leader of men after booty (6)
14 Warrant needed to get through (4)
16 Uplift in public relations for one expressing approval (7)
19 It can be read as a warning (4,3)
21 Clean up the city (4)
24 Oxford's leader to whip round for boat.... (5)
25 .... to do the river in quick succession (5,4)
27 This inscrutable person's statuesque (6)
28 Get a word in so for successful interruption (8)
29 Influential yet temporary accommodation by river (6)
30 My account rose when adjusted for growth with branches (8)

DOWN
1 Insignificant person to cut round hotel (6)
2 Inspect the show, say (6)
3 Animal book found in auction (8)
4 Odd tales about Greek character's charms (7)
6 Be encouraged to accept man with paintings (4,5)
7 Explosion of anger when bowled? (8)
8 The record on trimming time is something transitory (8)
11 Walk dogs, for instance, on getting up (4)
15 No man is excited about lame ancient king (9)
17 Presents in glowing terms the jokes at university (8,2)
18 Doctor on the go in spaceship launch (8)
20 Inferior food? Keep changing course (4)
22 Regretfully accepts run out in general (7)
23 Fish with necessary equipment raising fuss (6)
24 One shipwrecked after changing course (6)
26 Some reminisce naturally in operatic scene (5)

Solution to Puzzle No.8,028

WORLD STOCK MARKETS

INDICES

NEW YORK

DOW JONES	Dec 11	Dec 10	Dec 9	Dec 8	1992 HIGH	1992 LOW	Since compilation HIGH	Since compilation LOW
Industrials	3304.08	3312.19	3323.81	3322.18	3413.21 (1/6)	3136.58 (9/10)	3413.21 (1/6/92)	41.22 (2/7/32)
Home Bonds	103.14	103.01	103.00	102.94	103.20 (18/9)	98.41 (20/5)	103.20 (18/9/92)	54.99 (1/10/81)
Transport	1411.54	1414.76	1413.35	1428.86	1467.68 (20/2)	1204.40 (26/8)	1532.01 (5/9/89)	12.32 (8/7/32)
Utilities	219.33	218.64	218.20	219.14	225.59 (3/1)	200.74 (8/4)	236.23 (2/1/90)	10.50 (8/4/32)

STANDARD AND POOR'S

	Dec 11	Dec 10	Dec 9	Dec 8	1992 HIGH	1992 LOW	Since compilation HIGH	Since compilation LOW
Composite ‡	433.73	434.64	435.65	436.99	436.99 (8/12)	394.50 (8/4)	436.99 (8/12/92)	4.40 (1/6/32)
Industrials	508.18	509.51	511.25	512.85	512.85 (8/12)	470.91 (8/4)	512.85 (8/12/92)	3.62 (21/6/32)
Financial	39.41	39.67	39.74	39.88	39.88 (8/12)	32.40 (8/4)	39.88 (8/12/92)	8.64 (1/10/74)
NYSE Composite	238.63	238.97	239.44	240.24	240.24 (8/12)	217.92 (8/4)	240.24 (8/12/92)	4.46 (25/4/42)
Amex Mkt. Value	393.38	392.39	392.98	394.65	418.99 (12/2)	364.85 (9/10)	418.99 (12/2/92)	29.31 (9/12/72)

	Dec 14	Dec 11
AUSTRALIA		
All Ordinaries (1/1/80)	1512.4	1500.7
All Mining (1/1/80)	596.8	594.6
AUSTRIA		
Credit Aktien (30/12/84)	308.92	306.05
Traded Index (2/1/91)	749.14	742.68
BELGIUM		
BEL20 (1/1/91)	1112.65	1116.56
DENMARK		
Copenhagen SE (3/1/83)	272.94	270.10
FINLAND		
HEX General (28/12/90)	848.7	856.6
FRANCE		
CAC General (31/12/81)	465.91	464.69
CAC 40 (31/12/87)	1738.26	1758.70
GERMANY		
FAZ Aktien (31/12/58)	581.48	581.27
Commerzbank (1/12/53)	1641.4	1648.8
DAX (30/12/87)	1469.75	1476.01
HONG KONG		
Hang Seng Bank (31/7/64)	5267.73	5253.18
IRELAND		
ISEQ Overall (4/1/88)	1170.05	1171.00
ITALY		
Banca Com. Ital. (1972)	413.52	422.81
MIB General (2/1/92)	818.0	834.0
JAPAN		
Nikkei (16/5/49)	17289.97	17441.02
Tokyo SE (Topix) (4/1/68)	1316.36	1325.15
2nd Section (4/1/68)	1725.17	1731.1
MALAYSIA		
KLSE Composite (4/4/86)	632.54	635.26
NETHERLANDS		
CBS Ttl.Rtn.Gen.(End 1983)	291.9	292.6
CBS All Shr (End 1983)	196.5	196.9
NORWAY		
Oslo SE (Ind) (2/1/83)	670.39	685.77
PHILIPPINES		
Manila Comp (2/1/85)	1202.56	1232.36
SINGAPORE		
SES All-Singapore (2/4/75)	380.1	379.3
SOUTH AFRICA		
JSE Gold (28/9/78)	833.0	816.0
JSE Industrial (28/9/78)	4331.0	4316.0
SOUTH KOREA**		
Korea Comp Ex. (4/1/80)	651.23	645.70
SPAIN		
Madrid SE (30/12/85)	215.53	212.33
SWEDEN		
Affarsvarlden Gen. (1/2/37)	888.7	883.1
SWITZERLAND		
Swiss Bank Ind. (31/12/58)	891.0	883.8
SBC General (1/4/87)	652.3	658.1
TAIWAN**		
Weighted Price (30/6/66)	3696.76	3734.30
THAILAND		
Bangkok SET (30/4/75)	850.18	852.61
WORLD		
M.S. Capital Intl.(1/1/70) ($)	496.1ᵠ	496.9
Euro Top-100 (26/6/90)	841.96	844.53

**Saturday December 12: Taiwan Weighted Price: 3,742.61. Korea Comp Ex. 647...
ᵠ Subject to official recalculation.

Base values of all indices are 100 except: Austria Traded, BEL20, HEX Gen., MIB Gen., ISEQ Overall and DAX – 1,000, JSE Gold – 255.7, JSE 26 Industrials – 264.3 and Australia ... (c) Closed. (u) Unavailable.

TOKYO - Most Active Stocks

Monday, December 14, 1992

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Nippon Jutaku	3.8m	324	+6	Gajeon Kanko	1.6m	190	+23
Mitsui Min	3.7m	503	+8	NKK	1.5m	261	-3
Toshiba Corp	2.7m	636	+2	AKAI Elec	1.5m	422	+27
Nippon Express	1.7m	758	+2	Kokusai Elec	1.4m	811	-16
Nippon Steel	1.7m	290	-1	Tokio M&F	1.3m	1,170	-30

3 pm December 14

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

- B -

- C -

- D -

- E -

- F -

- G -

- H -

- I -

- J -

- K -

- L -

- M -

- N -

- O -

- P - Q -

- R -

- S -

Continued on next page

NYSE COMPOSITE PRICES

Continued from previous page

1992 High	Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close	Chng
41½	24⅞	Xtra 1.94	1.94	4.8		83	40¾	40⅜	40⅜	–⅛
57⅝	28½	Xtra Corp	0.80	1.4	14	73	58¾	56½	58½	
30⅝	25¼	Yankee Egy x	1.66	6.0	12	42	27⅞	27⅝	27⅝	–⅛
1½	½	Zapata			43	166	13/16	⅞	⅞	
11⅛	5	ZenithElec			2	658	6⅝	6¼	6⅛	–¼
19½	14½	Zenith Nat	1.00	5.6	8	136	18	17⅞	17⅞	–⅛
7½	6	Zenix Inc	0.82	12.4		80	6¾	6⅝	6⅝	
13⅞	10	Zero Corp	0.40	3.0	20	65	13½	13⅜	13⅛	
38	27⅞	Zurn Ind x	0.88	2.4	42	159	37½	37	37⅛	+⅜
14⅛	12	Zweig Fund	1.12	8.7		191	13	12⅞	12⅞	–⅛
11	9½	Zweig Tot x	0.96	9.5		368	10⅛	10	10⅛	

Price data supplied by Telekurs.

Yearly highs and lows reflect the period from Jan 1, excluding the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration. Sales figures are unofficial.

a-dividend also xtra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

3 pm December 14

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
Pegasus G	0.10	31	1132	15	14⅝	14⅝	–¼
Pentnl	0.80	18	24	18⅛	18	18⅛	+⅛
Pet HEP x	1.14	11	27	16⅛	16	16	–½
Phil LD x	0.25	14	1758	34⅛	33¾	33¾	–⅜
Pitney A x	1.10	18	5	33⅞	33⅞	33⅞	+¼
Ply Gem	0.12	23	261	12	11⅞	11⅞	+⅛
PMC	0.66	16	42	u12⅞	12¼	12⅞	+⅛

NASDAQ NATIONAL MARKET

3 pm December 14

- X - Y - Z -

Stock	Div.	P/E	Sls 100s	High	Low	Last	Chng
Xilinx		26	4096	24¼	23½	23¾	+¼
Xoma Corp		4	2367	11½	11	11¼	–⅛
Yellow Fr	0.94	21	210	27⅞	27⅝	27⅞	+¼
York Rsch		7	384	7	6⅝	6⅞	–⅛
ZionsUtah	1.44	12	57	72	71¾	72	

AMERICA

Attention moves on to Little Rock

Wall Street

US share prices were mixed in light trading at midsession as investors awaited new data on the economy, *writes Patrick Harverson in New York.*

By 1 pm the Dow Jones Industrial Average was up 2.44 at 3,306.52, having spent all morning only a few points above Friday's close. The more broadly based Standard & Poor's 500 was also slightly firmer at the halfway stage, up 0.43 at 434.16, while the Amex composite edged 0.30 lower to 393.08 and the Nasdaq composite eased 0.08 to 655.71. Turnover on the NYSE was 108m shares by 1 pm, and rises marginally outpaced declines by 826 to 805.

Trading was relatively subdued at the start, with dealing at some firms affected by the continued clean-up following the massive storm that struck New York on Friday and over the weekend.

On the economic front there was nothing new for investors to chew on with all the forthcoming data – on auto sales, business inventories, industrial production and jobless claims – due out later in the week.

This meant that attention switched to Little Rock, Arkansas, where President-elect Bill Clinton was holding his two-day economic summit for business leaders. Although the summit was being closely watched by investors for any hints at the likely direction of future economic policy, analysts expected little new to come out of the meetings.

Among individual stocks, General Motors slipped $½ to $33 as union leaders prepared to unveil an early-retirement plan which will allow the financially strapped motor manufacturer to lay off thousands of workers.

The other big two car companies were in mixed form, with Chrysler up $⅛ at $32½ but Ford $⅛ easier at $42½.

Harley-Davidson fell $1¼ to $35 after the motorcycle manufacturer said that it would record a reserve of $5.5m in the fourth quarter to cover costs from two product recalls.

PSI Resources firmed $⅝ to $19⅝ in turnover of more than ½m shares on the news of a pact to merge PSI with Cincinnati Gas & Electric into a new corporation though a conversion of stock. Cincinnati G & E fell $½ to $23¾.

Glacier Water, which warned late on Friday that its earnings for the full-year 1992 will be 11 per cent below the 62 cents a share it had originally projected, dropped $2¼ to $10¾ on the American Stock Exchange.

On the Nasdaq market, leading stocks were mixed. Biogen, which had risen sharply last week on hopes of higher earnings, firmed $¾ to $47¾, Microsoft climbed $1⅞ to $88¼, Sun Microsystems held steady at $32⅞, Apple eased $⅝ to $57⅛ and Dell Computer dropped $1⅛ to $39½.

Canada

TORONTO traded in a narrow range at midsession with the TSE-300 index putting on 3.71 to 3,271.2 in volume of 21.6m shares. Declining issues outpaced advances by 256 to 236 with 262 unchanged.

Banking shares were higher, bolstered by a round of prime lending rate cuts by several major Canadian banks to 8¼ per cent from 8¾ per cent.

The Royal Bank of Canada firmed C$¼ to C$23, Toronto-Dominion C$⅛ to C$16¼, Bank of Montreal C$¼ to C$43⅞ and Scotiabank C$¼ to C$23⅞.

SOUTH AFRICA

A WEAKER financial rand and indications of a stronger bullion price gave a boost to sentiment. The gold index added 17 to 833, industrials put on 15 to 4,331 and the overall index was up 6 at 3,244. De Beers added 25 cents to R59.50.

EUROPE

Eurotrack down despite Spanish celebrations

CELEBRATIONS in Spain after its weekend winnings at the Edinburgh EC summit, and an extension of last week's Swiss recovery were not enough to take the FT-SE Eurotrack 100 index into positive territory, *writes Our Markets Staff.* Nervous selling in France, Germany and Italy carried more weight.

PARIS featured the Total warning that 1992 earnings would be much weaker than the year before. The CAC-40 index lost 20.44 to 1,738.26 in turnover of FFr1.9bn.

Total, down FFr6.7 at FFr227.30, said that the fall in full year earnings could be as much as 47 per cent but that the group would maintain the FFr7 dividend. The warning affected other stocks and Elf, which said last week that it expects a 35 per cent drop in 1992 net profit, shed FFr5.90 to FFr323.30.

LVMH, down FFr60 at FFr3,434, continued to feel the effects of last week's gloomy forecasts from the UK drinks group, Guinness, in which it has a cross shareholding, as French brokers downgraded the stock.

FT-SE Actuaries Share Indices

December 14 — THE EUROPEAN SERIES

Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FT-SE Eurotrack 100	1042.24	1041.74	1041.01	1041.62	1039.30	1039.16	1040.89	1041.18
FT-SE Eurotrack 200	1117.09	1115.78	1114.69	1115.64	1114.54	1113.97	1115.70	1116.33

	Dec 11	Dec 10	Dec 9	Dec 8	Dec 7
FT-SE Eurotrack 100	1044.03	1049.63	1054.06	1051.12	1056.02
FT-SE Eurotrack 200	1117.72	1123.58	1133.46	1135.64	1137.52

Base value 1000 (26/10/90) High/day: 100 - 1042.32; 200 - 1117.77 Low/day: 100 - 1038.85 200 - 1112.82

FRANKFURT digested a mixed bag of brokers' comments after last week's losses, and took its declines to a fifth straight day in thin trading. The DAX index ended down 6.26 at 1,469.75, its lowest for nearly two months, as turnover fell from DM4.9bn to DM5.1bn.

Volkswagen and Klöckner-Werke led the losers: VW said that it was planning 12 days of short-time working in the first quarter of 1993 and the steelmaker returned from suspension after filing for court protection from its creditors.

VW touched a new 1992 low of DM238 before steadying to close DM6 down at DM241 on the session; it recovered further to DM243.50 in London. KW resumed trading after a one-day halt, dropping DM17.50 to a new 1992 low of DM41.

Retailers weakened on less than spectacular pre-Christmas sales. Kaufhof dropped DM12 to DM479 and Asko by DM19 to DM656. In the construction sector, Bilfinger & Berger lost DM23 to DM787 and Hochtief DM20 to DM920.

MADRID improved strongly as a number of positive factors converged: November inflation figures showed a fall in the year-on-year rate from 5.2 to 5.1 per cent; there was reaction to Friday's cut in the reserve requirement for banks by the Bank of Spain; and satisfaction about the deal which Spain had achieved at the Edinburgh summit. The general index put on 3.20 to 215.53 in good turnover of some Pta15bn.

Banks were in favour with Popular up Pta250 or 2.3 per cent at Pta10,950 and BBV by Pta55 to Pta2,465. Repsol was lifted as foreign institutions switched out of other European oil stocks, and closed Pta45 higher at Pta2,765.

MILAN dropped on poor economic data and privatisation nerves. The three banks due for privatisation were the hardest hit as the Comit index fell 9.29, or 2.2 per cent to 413.52.

BCI fell L267, or 6 per cent to L4,168; Credito Italiano dropped to L2,640, down L149, on the kerb and Banca di Roma was indicating L1,675 on the kerb after closing officially L146 lower at L1,740. Investors were worried that political infighting might impede the privatisation process.

ZURICH extended last week's rally, the SMI index closing 21.7 higher at a new 1992 high of 2,015.3. Banks were mixed but SBC rose SFr6 to SFr287 on the attraction of its dividend yield; among pharmaceuticals, Roche certificates rose SFr30 SFr4,010 and, in foods, Nestlé put on SFr35 to SFr1,115.

AMSTERDAM saw DSM continue Friday's slide as the group confirmed that it plans to cut back production of polymers and the CBS Tendency index shed 0.7 to 104.0.

DSM closed down Fl 3.40 or 4.5 per cent at Fl 71.40 while Hoogovens was 30 cents down at Fl 22.50 on worries over the European steel industry.

BRUSSELS closed down for the fourth consecutive session as the Bel-20 index shed 3.91 to 1,112.65. Solvay, which had earlier hit a new 1992 low of BFr10,860, managed to recover to just before the close to end BFr100 higher at BFr11,200. Petrofina, which said after the close that it may cut its 1992 dividend by 50 per cent from BFr421 in 1991, managed a BFr10 rise to BFr7,960.

OSLO continued Friday's fall on profit-taking and the all-share index slipped 9.85 or 2.5 per cent to 376.07. Investors also remained uncertain whether the government's fiscal package to boost industry would be approved by parliament.

The industry index was down 15.38 at 670.39, Norsk Hydro losing NKr4 to NKr150. Shipping lost 12.99 to 321.19 with Bergesen A losing NKr5 to NKr100 and the B shares down NKr5.50 at NKr100.50.

STOCKHOLM was stronger with the Affärsvärlden index up 5.6 at 888.7 in turnover of SKr505m.

The banking and financial sector reversed Friday's falls with S-E Banken A shares rising SKr1.50 to SKr11.50. Trelleborg B shares closed up SKr1.50 at SKr58.50.

HELSINKI continued to fall on profit-taking after recent strong gains, the Hex index closing 15.9, or 1.9 per cent lower at 840.7. Bank and finance company shares declined by 4.9 per cent and the forestry sector by just 1.6 per cent.

ASIA PACIFIC

Nikkei falls on profit-taking and arbitrage selling

Tokyo

SHARES LOST ground as arbitrage selling and profit-taking outweighed small-lot buying by public funds and bargain hunters, *writes Emiko Terazono in Tokyo.*

The 225-issue Nikkei average fell 151.05 to 17,299.97, having opened at the day's high of 17,421.97 before slowly losing ground throughout the day, and hitting the day's low of 17,255.47 just before the close.

Volume dropped to 150m shares from 511m. Declines led advances by 673 to 275, with 193 issues unchanged. The Topix index of all first section stocks slipped 8.80 to 1,316.35, and in London the ISE/Nikkei 50 index shed 1.24 to 1,061.98.

Investors failed to find trading incentives in last Friday's main events, the Bank of Japan tankan (quarterly business sentiment report) or the Japanese cabinet reshuffle. Mr Jason James, strategist at James Capel, said the BoJ survey contained no surprises and that the reported comments of Mr Yoshiro Hayashi, the new minister of finance, that he did not intend to cut income taxes did not provide insight to future policy.

Foreign investors became net buyers of stock in the week of November 30 to December 4 for the first time in five weeks. Although some traders hope that further foreign interest will lift trading in the near term, most overseas investors face a year-end closing of books, and are unlikely to take an active role in the market.

Traders said issues which are seen as beneficiaries of asset revaluation, required by the international consolidation of accounting laws in 1995, gained ground. Assets at most Japanese companies are currently booked at initial purchase prices rather than at market levels. Nippon Telegraph and Telephone advanced Y7,000 to Y550,000.

Short-covering supported Nippon Housing Loan, the troubled housing loan company. The issue was the most actively traded of the day, rising Y6 to Y334.

Interest rate-sensitive stocks weakened on disappointment over the failure of the central bank to cut the official discount rate. Financial shares and large-capital issues receded on profit-taking: Industrial Bank of Japan dipped Y30 to Y2,530, Nomura Securities Y10 to Y1,500 and Nippon Steel Y1 to Y290.

High-technology stocks were hurt by profit-taking. Hitachi relinquished Y4 to Y741 and Fujitsu lost Y18 to Y562.

Nippon Express, a package delivery company, improved Y2 to Y786 on projections that it will post a 4 per cent increase in profits in the current fiscal year.

In Osaka, the OSE average retreated 166.64 to 18,862.42 in volume of 21.3m shares.

Roundup

THE Pacific Rim region was mixed, with activity beginning to ease ahead of the holidays.

HONG KONG gained ground. Banks were actively traded as the Hang Seng index put on 14.55 to 5,267.73 in low turnover of HK$1.73bn.

HSBC Holdings declined 50 cents to HK$54.50, while Hang Seng Bank appreciated 75 cents to HK$48.50.

SEOUL rose for the fourth consecutive session in thin trading as many investors remained absent ahead of Friday's presidential election. The composite index added 3.95 at 651.23 in turnover of some Won516bn.

MANILA declined in the absence of fresh news, with the composite index falling 29.79 to 1,202.56 in combined turnover of 343m pesos. Overnight losses by PLDT in the US saw its shares close 25 pesos cheaper at 850 pesos.

KUALA LUMPUR fell on scattered profit-taking. The composite index lost 3.72 to 632.54 in turnover of M$208m.

Multi-Purpose Holdings shed 20 cents to M$2.25 as an application by two members of the group, Magnum and Dunlop Estates, to participate in a gaming venture in southern China met further delays. Magnum dipped 35 cents to M$9.65 and Dunlop slipped 40 cents to M$8.40. In SINGAPORE the Straits Times Industrial index eased 2.05 to 1,445.52.

AUSTRALIA overcame early weakness and the All Ordinaries index ended 11.8 up at 1,512.4 in turnover of A$254.8m.

Among the active issues, CRA moved forward 8 cents to A$12.68 after saying that the decision by Klöckner-Werke, in which it holds a 10 per cent shareholding, to seek protection from its creditors would have no immediate impact.

BHP ended 12 cents ahead at A$12.68 and National Australia Bank 15 cents up at A$7.70.

NEW ZEALAND closed firmer, with strong interest in Goodman Fielder as the NZSE-40 index gained 10.18 to 1,532.10. Turnover came to NZ$30.5m. Goodman Fielder put on 15 cents to NZ$2.22 on unsubstantiated rumours that Nestlé was interested in taking a stake. Telecom eased 5 cents to NZ$2.34 on US weakness.

BANGKOK was slightly lower with the SET index down 2.43 at 850.18 in turnover of Bt2.5bn. Thai Farmers Bank rose Bt12 to Bt700 and Siam Commercial Bt6 to Bt1,060.

BOMBAY fell again in trading restricted to 90 minutes against the normal three hours, the BSE index losing 67.42 to 2,469.45 in a continued reaction to last week's Hindu-Moslem riots, in which over 1,000 people died.

Senior bourses lead Europe into decline

MARKETS IN PERSPECTIVE

	% change in local currency †				% change sterling †	% change in US $ †
	1 Week	4 Weeks	1 Year	Start of 1992	Start of 1992	Start of 1992
Austria	-1.37	-1.75	-14.33	-13.99	-0.78	-17.35
Belgium	-0.62	-1.00	+0.22	-2.66	+12.48	-8.30
Denmark	+3.95	-0.16	-21.95	-22.43	-10.48	-25.43
Finland	+1.98	+9.10	+17.80	+16.98	+13.75	-5.26
France	-1.04	-1.70	+6.69	-0.28	+15.16	-4.07
Germany	-3.00	-4.44	-7.04	-9.07	+5.04	-12.50
Ireland	-1.98	+5.51	-14.92	-17.23	-5.44	-21.24
Italy	-0.16	-8.26	-8.91	-12.94	-13.83	-28.23
Netherlands	+0.51	+1.66	+7.29	+5.08	+21.52	+1.22
Norway	+3.69	+18.54	-7.32	-6.78	-2.05	-18.41
Spain	+0.44	+6.50	-9.44	-12.30	-9.71	-24.79
Sweden	+1.86	+21.65	+15.89	+12.40	+10.23	-8.18
Switzerland	+2.67	+3.29	+20.62	+16.33	+34.68	+12.18
UK	+1.36	+1.01	+13.96	+9.35	+9.35	-8.91
EUROPE	-0.79	+0.34	+6.06	+2.06	+9.36	-8.91
Australia	+5.17	+10.49	-6.40	-11.55	-3.55	-19.66
Hong Kong	-0.62	-16.84	+23.84	+18.48	+42.91	+19.03
Japan	+1.70	+6.63	-19.19	-21.74	-5.18	-21.01
Malaysia	-1.58	-3.94	+22.26	+17.04	+50.39	+25.26
New Zealand	-0.07	+10.97	+0.28	-6.02	+7.95	-10.09
Singapore	-0.25	+0.96	-1.46	-7.05	+10.35	-8.08
Canada	-0.68	+0.19	-4.24	-8.19	-0.14	-16.82
USA	+0.29	+2.51	+15.00	+4.22	+25.11	-4.22
Mexico	+2.30	+7.17	+31.94	+19.38	+40.05	-16.66
South Africa	+0.27	+7.24	-11.34	-9.38	-26.44	-39.14
WORLD INDEX	+0.41	+2.71	+1.04	-4.74	+10.66	-7.82

† Based on December 11th 1992. Copyright, The Financial Times Limited, Goldman Sachs & Co, and County NatWest Securities.

By William Cochrane

There was another Nordic flurry last week as the devaluation of the Norwegian crown took place, but Europe's big bourses reflected industrial recession. It took a 1.7 per cent rise in Japan to leave the FT-Actuaries World Index with a 0.4 per cent gain.

Tokyo moved from caution to recovery hopes ahead of the Bank of Japan's quarterly survey on business sentiment, which brought out profit-takers last Friday as it showed that confidence had fallen to its lowest level since 1975.

Wall Street, with the Dow held back by fears for majors such as IBM and General Motors, saw new midweek highs in more broadly based indices and a rainstorm which flooded parts of downtown Manhattan last Friday. Overall, it produced an average performance.

Falls in Germany, the UK and France were the main reasons behind a 0.8 per cent decline in Europe. Mr Andrew Bell, director of European strategy at Barclays de Zoete Wedd, says Germany is moving into recession and that the market is too high on a p/e basis, especially in view of the prospect of a further annual fall in earnings next year.

UK pundits put last week's slide in London down to profit-taking after a good run. France, although its economy is placed among the soundest in Europe, is seeing problems in the Parisian property market, gloomy news from the corporate sector in general and a slippage in earnings forecasts.

Switzerland, however, provided some relief. Having discounted a negative vote in the referendum on membership of the European Economic Area (EEA), it rose on the news last Monday and extended its gains to close the week 2.7 per cent higher. Mr Bell observes that pharmaceuticals, food and financials add up to some three-quarters of the market and that this, together with the return of the Swiss franc as a safe haven for investors, makes a comforting contrast to prospects elsewhere.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	FRIDAY DECEMBER 11 1992								THURSDAY DECEMBER 10 1992					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	1992 High	1992 Low	Year ago (approx)
Australia (68)	121.19	+0.0	115.29	94.84	99.33	116.78	-0.1	4.16	121.17	115.38	94.59	99.31	116.85	153.68	108.18	148.23
Austria (19)	137.63	-1.2	130.93	107.71	112.81	112.66	0.9	2.51	139.29	132.64	108.74	114.17	113.84	186.70	137.63	160.46
Belgium (42)	135.24	-0.9	128.65	105.82	110.84	108.39	-0.6	5.66	136.45	129.93	106.51	111.84	109.03	152.27	134.08	137.01
Canada (113)	113.37	-0.4	107.85	88.72	92.92	104.79	-0.1	3.23	113.84	108.40	88.87	93.30	104.86	142.12	111.38	132.36
Denmark (34)	199.21	+2.1	189.51	155.90	163.28	166.50	-2.5	1.64	195.18	185.85	152.37	159.97	162.46	273.94	181.70	255.10
Finland (15)	73.92	-1.7	70.32	57.85	60.59	79.21	1.4	1.78	75.23	71.64	58.74	61.66	80.37	89.80	52.84	74.20
France (99)	144.31	-0.7	137.28	112.93	118.27	121.96	-0.6	3.70	145.29	138.34	113.41	119.07	122.67	168.75	136.93	138.73
Germany (64)	102.66	-1.4	97.66	80.35	84.14	84.14	-1.4	2.70	104.12	99.14	81.29	85.34	85.34	129.69	102.51	111.04
Hong Kong (53)	209.93	-0.2	199.71	164.28	172.07	208.69	-0.2	4.32	210.44	200.38	164.28	172.48	209.13	262.28	176.36	170.96
Ireland (16)	132.17	+1.0	125.74	103.44	108.33	111.99	-1.4	4.89	130.85	124.60	102.15	107.25	110.44	173.71	122.98	162.27
Italy (77)	54.11	-0.3	51.48	42.34	44.35	56.30	-0.6	3.69	54.27	51.67	42.36	44.48	56.66	80.86	47.47	69.97
Japan (472)	107.29	-0.6	102.06	83.96	87.95	83.96	-0.3	1.00	107.92	102.76	84.25	88.46	84.25	140.95	87.27	132.16
Malaysia (69)	268.32	-0.4	255.25	209.97	219.91	262.69	0.5	2.52	269.28	256.41	210.21	220.70	263.57	282.42	212.49	205.72
Mexico (18)	1622.88	-0.4	1543.83	1270.00	1330.14	5521.84	0.2	1.09	1628.58	1550.75	1271.37	1334.82	5539.46	1789.77	1185.84	1224.18
Netherland (25)	154.55	-0.2	147.02	120.94	126.67	125.10	0.1	4.55	154.79	147.40	120.84	126.88	125.19	169.70	147.88	146.03
New Zealand (13)	42.24	+0.3	40.19	33.06	34.62	43.39	0.1	5.14	42.12	40.10	32.88	34.52	43.42	48.52	37.39	45.60
Norway (22)	145.88	-5.4	138.77	114.16	119.57	134.94	4.8	1.79	154.14	146.78	120.34	126.34	141.70	192.95	128.05	175.48
Singapore (38)	201.93	+0.3	192.10	158.03	165.51	152.13	-0.2	2.16	201.37	191.75	157.20	165.04	152.05	229.63	179.65	205.64
South Africa (60)	151.47	-2.0	144.09	118.53	124.14	156.77	1.4	3.26	154.62	147.23	120.70	126.73	159.05	263.60	134.21	248.68
Spain (48)	117.64	-0.3	111.91	92.06	96.42	100.49	-0.0	6.00	117.97	112.34	92.10	96.69	100.46	161.72	107.10	146.73
Sweden (31)	166.32	-2.0	158.22	130.16	136.33	167.06	1.7	2.35	169.78	161.67	132.55	139.16	169.97	200.28	149.69	170.54
Switzerland (60)	112.60	+0.5	107.11	88.12	92.30	95.08	-0.2	2.18	112.04	106.69	87.47	91.84	97.84	122.37	95.99	95.17
United Kingdom (227)	168.82	-0.3	160.59	132.10	138.35	160.69	0.3	4.60	169.24	161.16	132.11	138.70	161.15	200.07	161.86	177.51
USA (522)	177.05	-0.2	168.42	138.56	145.12	177.05	-0.2	2.86	177.44	168.96	138.52	145.44	177.44	178.34	160.92	156.58
Europe (779)	134.53	-0.5	127.98	105.28	110.27	119.85	0.5	3.94	135.14	128.69	105.50	110.77	120.45	156.88	131.31	140.00
Nordic (102)	152.53	-1.1	145.10	119.36	125.01	138.47	0.9	2.09	154.26	146.89	120.43	126.44	139.51	188.52	141.24	175.06
Pacific Basin (713)	111.30	-0.5	105.88	87.10	91.23	88.94	-0.3	1.36	111.89	106.54	87.35	91.70	89.22	141.97	93.70	133.40
Euro - Pacific (1492)	120.70	-0.5	114.82	94.45	98.92	101.42	0.4	2.52	121.29	115.50	94.68	99.41	101.82	145.21	113.80	138.36
North America (635)	173.10	-0.2	164.67	135.48	141.90	172.15	0.2	2.90	173.50	165.20	135.48	142.22	172.52	174.38	158.70	155.01
Europe Ex. UK (552)	113.96	-0.6	108.41	89.20	93.43	97.73	0.6	3.45	114.65	109.18	89.52	93.99	98.28	132.98	111.33	117.72
Pacific Ex Japan (241)	150.70	-0.1	143.36	117.95	123.53	138.77	0.1	3.83	150.85	143.64	117.78	123.65	138.96	175.31	146.06	145.68
World Ex. US (1683)	121.72	-0.5	115.79	95.26	99.77	103.45	0.4	2.54	122.35	116.50	95.52	100.28	103.86	146.91	115.99	138.07
World Ex. UK (1978)	136.63	-0.4	129.98	106.93	112.00	122.63	-0.3	2.46	137.19	130.63	107.10	112.45	123.02	150.58	127.21	140.02
World Ex. So. Af. (2145)	139.48	-0.4	132.67	109.15	114.31	125.70	0.3	2.68	139.98	133.29	109.29	114.74	126.09	153.05	130.04	142.59
World Ex. Japan (1733)	157.73	-0.3	150.05	123.45	129.30	150.41	-0.3	3.28	158.24	150.67	123.54	129.71	150.90	165.40	151.93	150.53
The World Index (2205)	139.43	-0.4	132.64	109.12	114.29	126.01	0.3	2.69	139.97	133.28	109.28	114.73	126.41	153.70	130.66	143.28

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